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The COMMERCIAL & FINANCIAL CHRONICLE

(Reg. U. S. Pat. Office)

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OUR REPORTER'S REPORT

Few things that have happened in recent years have aroused the interest and discussion fostered by the Securities and Exchange Commission's proposed rule X-15161-10, which would compel over-the-counter dealers to quote the nearest market in the purchase or sale of a security to a customer.

Meetings have been frequent throughout the country since the Commission handed up its proposal and there has been a steady outpouring of protests to the Federal agency.

The suggestion did not come as any surprise to the country aggregation as may be reasoned from the response it has occasioned, noticeably from the smaller dealers about the country. The latter have been by far the most vocal.

Presumably the SEC has been quick to recognize the advisability of allowing full and complete discussion of its proposed rule, since it decided to postpone until Sept. 15, the time for interested persons to file written comment.

Executive committees of both the Investment Bankers Association and the National Association of Security Dealers discussed the situation in Chicago on Tuesday, but without making known anything with regard to their findings.

Most people interested recognize there is a problem, but they frankly dislike the regulatory character of the move which embraces the entire industry.

Protect Honest Dealer

Admittedly there is a "fringe," made up of the none-too-scrupulous, which the SEC seeks to reach by application of its proposed rule.

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SEC Bid And Asked Rule Held Impractical In Application

Ignores Basic Concept Of Marketing Procedure

By AN ANONYMOUS DEALER

A headache can be cured, instantaneously and permanently, by chopping off the victim's head. In advanced countries less drastic means are commonly favored. There is no question that the exorbitant profits exacted by a small minority of securities dealers from unsophisticated customers constitute a headache for their legitimate competitors, for the regulatory authorities and for the investing public. The proposed Rule X-15C1-10 now being considered by the Securities & Exchange Commission, however, would seem to be almost as drastic a proposed cure as the guillotine.

So long as there is a securities market, there will be some securities dealers who will place their own immediate profit ahead of the interests of their customers, just as there will always be shyster lawyers and quack doctors to disgrace those honorable professions. As the securities business is now organized, the career of any single dealer frequently guilty of overreaching is likely to be short. First, he will lose his customers in a relatively short time, either through their discovery that their confidence has been abused or because their holdings have been so impaired in quality that no further opportunities exist for profitable trades. Second, investigations by the NASD or by the SEC itself are almost certain to uncover abuses and result in either reform or deregistration. Third, if flagrant enough, abuses cross the borderline into the realm of fraud and subject the perpetrator to criminal prosecution. Thus, when the problem of overreaching would seem to be as nearly solved as any problem of misbehavior can ever be in an imperfect world, it appears a highly inopportune time to impose new and extremely severe burdens on a struggling industry in the effort, however well-intentioned, to secure perfection of behavior.

From the investor's viewpoint there are two questions which he might reasonably ask about any purchase which he has made. First, was the price I paid reasonable in relation to the market? Second, was the security I purchased a good selection for my particular needs? Of the two ques-

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Special Editorial Material Featuring Savings and Loan Associations Starts on Page 530

Senate Subcommittee Named To Study Administration Of Withholding Tax

On Aug. 11 Chairman George of the Senate Finance Committee named a subcommittee headed by Senator Clark of Missouri to devise a better method of administering the 5% withholding tax which would go into effect Jan. 1 under the House bill. Associated Press accounts from Washington Aug. 11 reporting this said:

"This action was taken after a less complicated method of computing the tax, resembling the Treasury's existing simplified income tax return, was presented to the committee by Harry C. Gretz of New York, an official of the American Telephone and Telegraph Co.

"The new plan, which is understood to have the endorsement of the Treasury, avoids the necessity of individual computations for each worker by fixing the amounts due from various income groups according to the various allowances for dependents.

"Exact accuracy is not necessary, Mr. Gretz pointed out, since the amount withheld is to be credited against tax income due the following year anyway. The plan also provides that instead of issuing individual tax receipts, which may possibly be lost and are an extra burden upon employers, an employe would receive a statement at the end of the year recording the tax paid to be filed with his income tax return.

"This proposal is understood to go far toward meeting the objections voiced against the administrative burden that would be placed upon employers. These have made such an impression on the committee that Mr. George had proposed the substitution of a flat 3% tax, without deductions, to replace the 5% rate with exemptions."

On the 10th inst. the committee rejected a Treasury recommendation by voting 11 to 4 to permit husbands and wives in the eight community-property states to continue splitting their incomes for Federal tax purposes.

The Associated Press noted:

"Under existing law, married couples in the eight states—California, Texas, Louisiana, Arizona, New Mexico, Nevada, Idaho and Washington—may divide their income and each file an individual return on a half of the total, thus reducing their total taxes.

"The Treasury asked that such income be reported by the earning spouse or jointly in an effort to add $85,000,000 to the House-approved $6,271,000,000 war revenue bill."

As indicated above the Committee decided against the proposal.

According to the New York "Journal of Commerce" the Senate Committee was told on Aug. 10 that it must decide between revenue and adequate supplies of oil and strategic metals necessary for the war effort as representatives of the oil and mining industry, backed up by three Senators and two former Senators, urged retention of present regulations governing depletion allowances and intangible drilling costs. The advices to the "Journal of Commerce" from its Washington bureau continued in part:

"Under present law, oil producers are permitted a depletion allowance of 27½% of gross revenue, while exploiters of minerals are permitted a 15% depletion allowance, operators of coal mines are

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R. T. Ryan To Manage Cohu-Torrey Office

WEST PALM BEACH, FLA.—Cohu & Torrey, members New York Stock Exchange, announce the opening of an office here in the Harvey Building, under the management of Ralph T. Ryan. Mr. Ryan was formerly with Corrigan, Miller & Co. of Miami and prior thereto was with R. S. Dickson & Co., and was an officer of D. M. S. Hegarty & Co., Inc., of New York City.

Ward & Williams Now With Starkweather Co.

Sheldon M. Ward and Edward H. Williams are now associated with Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Both were formerly partners in the municipal brokerage firm of Ward & Williams, and were with Lord & Widli. In the past Mr. Ward was with Brown Harriman & Co. and the National City Co. Mr. Williams was with Dougherty, Corkran & Co. and Kidder, Peabody & Co.

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Chicago, Wilmington & Franklin Coal Company Common Stock

The Chicago, Wilmington & Franklin Coal Company was incorporated in Massachusetts in 1914 to mine and sell coal and other minerals. The company's present properties consist of two fully mechanized mines and 30,000 acres of coal, coal leases and coal lands in Franklin County, Illinois, representing an estimated 50-year supply. It also owns a majority interest in a subsidiary, Crab Orchard Improvement Company, which in turn owns and operates two mechanized mines in the so-called smokeless field in Raleigh County, West Virginia. Combined productive capacity of the four mines is 22,000 tons per day. Sales for 1941 were 3,435,709 tons, an increase of 12% over 1940. The C. W. & F. mine just outside of West Frankfort in Franklin County, known as Orient No. 2, is understood to be the largest electrically equipped shaft operated mine in the world.

The company's primary business is the mining and sale of bituminous coal. As such, it is very conservatively capitalized and has paid a dividend on its common stock in each of the past six years, something which few of its competitors have been able to do. Its competitive reputation in the industry is among the very best. It is operated under Stone & Webster management and controlled by members of the Stone & Webster families and affiliated interests.

It is interesting to note an absence of funded debt in the company's capitalization. Most of its major competitors have bond issues outstanding with sinking fund requirements which in the past have proven either burdensome or a competitive disadvantage. Capital structure as of Dec. 31, 1941, was as follows:

6% cum. pfd. stock—callable at 105	$329,500
5% cum. Jun. pfd. stock—callable at 100	1,550,000
Common stock—no par	295,000 shs.

The 6% preferred has an annual sinking fund, operative before common dividends, of 2½% of maximum issued and is entitled to 10 votes per share; the original issue was $1,000,000. The 5% junior preferred has one vote per share but sinking fund of 750 shares annually was waived to April 1, 1943. The entire outstanding amount of junior preferred is owned by Stonega Coke & Coal Co. It is understood that purchase of the preferred stocks will be accomplished without recourse to bank borrowing or other financing.

It is understood that the company recently mailed letters to holders of its 6% senior preferred advising that the company had an opportunity to buy the entire issue of junior preferred. Before completing this purchase, it desired to offer holders of the 6% preferred the opportunity of selling their shares to the company at the call price of 105 plus accrued dividends. Such offer expires Nov. 1, 1942. It is also understood that the company has already purchased $550,000 par value of the junior preferred and has an option for one year on the remaining $1,000,000, of which it is obligated to purchase $500,000 within six months. Assuming that all the junior preferred is purchased, only about $20,000 annual requirements on the 6% preferred would remain senior to earnings available to the common stock, obviously a favorable development.

In addition to its normal coal operations, C. W. & F. has important oil interests on its properties in Franklin County. The first oil well was brought in on the company's acreage in sand formation from a shallow depth in the Benton Field of Franklin County in January, 1941. There are now over 225 producing wells in the field, and the company owns or has an interest in 216 of these wells. The company's income from oil is derived from the shallow Tar Sorings sand estimated to have a 15-year minimum productive life. Three major companies (Sohio, Shell and Texas)

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Skillman Named Gov. Of Texas I.B.A. Group

The Texas Group of the Investment Bankers Association of America has elected William O. Skillman, Vice-President of the First National Bank in Dallas, to represent it as a member of the Board of Governors of the national organization, it was announced through the office of the Association in Chicago. Mr. Skillman was elected to serve from the close of the 1942 convention to the close of the 1944 convention of the Association, filling out the unexpired term of E. Jedd Roe of San Antonio, who resigned as a governor when he recently reentered the United States Army as a Major in the Air Force.

W. O. Skillman

At the same time, it was announced, the Board of Governors of the Association, by special action, has named Mr. Skillman to fill the vacant governorship for the balance of the present Association year, permitting no interruption of the representation of the Texas securities business in matters coming before the Board between now and the annual convention, which is scheduled for October.

Active in both the Texas and the national activities of the association for a number of years, Mr. Skillman served as Secretary-Treasurer of the Texas Group in 1939-1940, and as a member of group or national committees in each year since 1936.

Claude W. Gill Is Now With Reuben Securities

(Special to The Financial Chronicle)

TOLEDO, OHIO—Claude W. Gill has rejoined Reuben Securities Co., 618 Madison Avenue. Mr. Gill for the past six years was with Bliss Bowman & Co. of which he was an officer.

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Philadelphia Salesmen Fight Disclosure Plan

PHILADELPHIA, PA. — The Board of Governors of the Philadelphia Association of Securities Salesmen held a special meeting here and approved a motion instructing Clifton D. Bunting, First Boston Corporation, President of the Association, to protest vigorously to Ganson Purcell, Chairman of the Securities and Exchange Commission, against the adoption of the proposed rule which would compel over-the-counter dealers to disclose bid and asked quotations at the time of purchase and/or sale on each principal transaction.

The Board also directed W. V. McKenzie, Secretary of the Association, to request members to write to the SEC voicing their personal convictions regarding the proposed rule.

Association to Represent All Dealers in Opposing Destructive Measures Now Being Formed

Formation of an independent Nation-wide association of security dealers, which would represent the industry as a whole and assure a united opposition to the "many recent dangers which threaten the very existence of the profession," is in progress and a tentative statement of policy has already been drafted. Plans are now under way in order to encourage all registered dealers to join the new association, regardless of their present connection with any other group. The aim is to have as nearly 100% dealer memberships as possible in the projected organization in order that it may "truly represent every section of the country." It is contemplated that the association will have State and city divisions throughout the Nation, and these divisions will have their own local committee and will be called upon to assist in the preparation of the organization's constitution and by-laws. Counsel has been retained so that the proposed national group will be fully conversant with the legal aspects of its problems and their solution.

The tentative draft of the proposed organization's fundamental policy is as follows:

Whereas the public welfare is identical with that of every security dealer.

The securities profession is suffering from a lack of public understanding and in consequence thereof we have constituted this association for the purpose of remedying the conditions which now adversely affect the interest of the public and the dealer.

Resolved that its efforts to correct the conditions which work against the public good shall be directed along the following lines:

1. To promote a better understanding by the public of the vital importance of the securities profession under our democratic form of government.
2. To develop the natural and legitimate growth of the business for the benefit of the investing public.
3. To interpret, clarify, and when essential, to seek modifications in existing and contemplated Federal and State regulations.

We hereby dedicate ourselves to adherence to the highest principles of business conduct in the securities profession.

At this time of national crisis, we particularly seek to maintain the personnel of our Nation-wide group in order that our essential industry may survive to serve its country in the future as it has done so successfully in the past.

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Parish On Cleveland Victory Fund Comm.

M. J. Fleming, President of the Federal Reserve Bank of Cleveland, announced on Aug. 4 the appointment of L. L. Parish as Assistant Executive Manager of the Fourth (Cleveland) District Victory Fund Committee. Mr. Parish will assist Hugh D. MacBain, Executive Manager of the committee. Mr. Parish has long been identified with the securities industry in this country. After completing his formal education at Northwestern University he entered the employ of John Nuveen of Chicago, which organization was then, as now, engaged in the distribution of municipal securities. In 1902 Mr. Parish was placed in charge of the Nuveen office at Franklin, Pa. In 1910 he came to Cleveland as salesman with Otis & Co. In 1915 he became a partner of Field, Richards & Co., which organization later became Richards, Parish & Lamson. In 1917 he was called for service by Federal Reserve Bank of Cleveland in the Fourth District Liberty Loan organization, where he continued to serve until after the Armistice. Richards, Parish & Lamson later merged with the Herrick Co., where for several years Mr. Parish was in charge of their selling organization. Some years later he sold his interest, and in January, 1931, opened in Cleveland a wire office for Post & Flagg of New York. In 1941 Post & Flagg merged with Jackson & Curtis Co., which, in turn, merged in 1942 with Paine, Webber & Co. under the firm name Paine, Webber, Jackson & Curtis. Mr. Parish has been granted a leave of absence by that organization for the duration of the war.

With N. Y. Nat'l Guard

John T. Cusack, head of the Real Estate Trading Department of Amott, Baker & Co., Incorporated, 150 Broadway, New York City, will be on active duty for the next two weeks with the New York State National Guard.

Curb Govs. Appointed To Committees

At its meeting on Aug. 5 the Board of Governors of the New York Curb Exchange approved the appointment of John S. McDermott, a class A governor, to membership on the Committees on Arbitration, Business Conduct, Public Relations, and General Committee on Outside Supervision. Approval was also granted to the appointments of John Whitney, a class B governor, to membership on the General Committee on Outside Supervision and the Committee on Communications and Commissions, and H. Wallace Cohu, also a class B governor, to membership on the committees on Member Firms and the General Committee on Outside Supervision.

John Wasserman was appointed a member of the Nominating Committee to replace Robert J. Lewis who resigned to enter government service.

Holman Wilson With Urban J. Alexander

(Special to The Financial Chronicle)

LOUISVILLE, KY.—Holman R. Wilson has become associated with Urban J. Alexander Co., Inc., Louisville Trust Building. Mr. Wilson was formerly with W. L. Lyons & Co. in their municipal department and prior thereto was a partner in Moore, McLean & McDermott of Chicago. In the past he was with the National City Co. of New York.

In The Armed Forces

John C. Bogan, Jr., Vice-President of Sheridan, Bogan Co., Philadelphia, and Secretary of the Philadelphia Bond Club, has been commissioned a Lieutenant in the U. S. Navy. Spencer D. Wright, Jr., of Wright, Wood & Co., has been elected to fill Lieut. Bogan's unexpired term as Secretary of the Philadelphia Club.

Arch C. Doty, 105 West Adams Street, Chicago, Ill., member of the Chicago Stock Exchange, is now in the armed forces.

David F. Folz, who has been connected with Leimert-Krieger & Co., Los Angeles, Calif., since its inception in 1931, has received a commission as Lieutenant in the U. S. Naval Reserve and has left for Quonset Point, R. I., for training. **Warren T. Maudlin**, who has been with Liemert-Krieger & Co. for several years, has become associated with the War Department for the duration.

William W. Haerther, 22 West Monroe Street, Chicago, member of the Chicago Stock Exchange, is now in the armed forces.

Dana T. Richardson has joined the U. S. Army Air Corps as a Major. Mr. Richardson has dissolved his investment business of D. T. Richardson & Co., 135 South La Salle Street, Chicago. He had been in business in Chicago for the past 23 years.

H. H. Sherburne of Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., and formerly a member of the Buying Department of Smith, Barney & Co., has been commissioned a Lieutenant, senior grade, in the United States Naval Reserve. He has received his orders and will report shortly for active duty with the Naval Air Forces.

Excellent Inflation Hedge

Common stock of the Chicago, Wilmington & Franklin Coal Co. offers a double-barrelled hedge against inflation, according to Scherck, Richter Company, Landreth Building, St. Louis, Mo., who will send a special circular prepared by them on this issue upon request.

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Time Extended by SEC for Submitting Comments On Proposed Bid and Asked Disclosure Rule

The Securities and Exchange Commission has announced the extension from Aug. 12 to Sept. 15 of the period for receiving comments from brokers and dealers on the proposed rule (X-15C1-10) which would require the disclosure of the market price of securities to the customer by a dealer in every purchase and sale by the dealer.

While many dealers have already sent in their reactions to the proposed rule, many dealers, because of the interference of vacation periods, have written to the Commission asking more time in which to file their comments.

The Aug. 12 date had originally been set by Ganson Purcell, Chairman of the Commission, when copies of the proposed regulation were sent out two weeks ago, since he had hoped to receive sufficient comment from dealers to form the basis for further discussion by a mixed group to meet in Philadelphia shortly after that time.

In addition to the many other associations and dealers' groups taking up the subject during the past week, the executive committee of the Investment Bankers Association met in Chicago to discuss proposed rule.

SEC Profit Disclosure Rule On Counter Dealings Viewed As Threat To Entire Securities Industry

The new rule proposed by the Securities and Exchange Commission which, in effect, would require the disclosure to customers of the gross amount of dealer profit involved in transactions in unlisted securities has served one desirable development. It has had the effect of finally awakening the entire industry, or perhaps more particularly the vast unorganized majority, to the need for concerted action on their part in order to effectively combat this and other proposals equally inimical to the best interests of the industry and to the nation's financial economy. Without such co-operative action, it is obvious that the thousands of individual dealers who have never been adequately represented in the discussion of matters of paramount concern to their own welfare (the recent SEC conferences on industry problems at Philadelphia was a glaring example), will continue to play the collective role of "villain" and therefore suffer the consequences flowing from the absurd and inane rules and regulations which emanate from the existing so-called regulatory agencies.

Some of the letters received this week regarding the SEC bid and asked proposition are published herein. Where it is so requested, we do not reveal either the name of the writer or the firm with which he is associated.

DEALER No. 4

The proposed SEC bid and asked rule is thoroughly impractical and unworkable and its adoption would not afford the investing public any additional protection from "gouging" at the hands of some unscrupulous dealers, but would ultimately destroy a large part of the over-the-counter industry which is rendering an essential service to the public and the national economy. Together with all reputable Broker-Dealers, I am in complete sympathy with the purported objective of the SEC—to prevent some dealers from continuing to make "unconscionable" profits at their customers' expense. It is perfectly apparent, however, that such an objective cannot be achieved by the method proposed or any other similar measure. It seems to me that the NASD has already achieved a certain degree of success in coping with this problem and should be permitted to continue its efforts in that direction. It is my belief, however, that it would be impossible to draft any specific rule or regulation which would be effective in completely eliminating gouging of the public, either in the securities business or any other business. This does not mean, of course, that its occurrence in the securities business cannot be made no more frequent, at least, than in any other business conducted for profit. I suggest that the matter be left with the NASD and would recommend that certain actions be taken which might aid the Association in its endeavors. These include making the Association all-inclusive of the over-the-counter industry, rather than selective in composition, and the expanding of quotations with extensive publicity, rather than contraction in that service as now contemplated. (Above views were expressed by Frank Dunne, President of the New York Security Dealers Association, in an interview with a representative of the "Chronicle.")

DEALER No. 5

F. H. Marvin, of Marvin & Co., Philadelphia, furnishes us with the following copy of a letter, addressed by him to the National Association of Securities Dealers, Inc.:

In the very short time allowed for study of the proposed interpretation of Sections 15 (C) (1) and 15 (C) (2) of the act, my first reaction is that it is deliberately designed to eliminate over-the-counter trading.

The basis of all business is to purchase an article and resell it at a profit sufficient to bear the cost of the transaction and to yield a compensation to the dealer. There is no more reason why a dealer in securities should be required to state the purchase price of a security which he is selling than there is to require John Wanamaker to advise a customer of the cost to him of a suit of clothes. The practical psychological effect in both cases would be to discourage any

(Continued on page 529)

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Min. Savings-Loan Honors Mrs. Mudd

MINNEAPOLIS, MINN. — A gold wrist watch was presented to Mrs. D. E. Crary Mudd by the Minnesota Savings and Loan League at a testimonial banquet given in her honor during the annual convention of the organization recently at Labert Lea, Minnesota. Mrs. Mudd was reelected Secretary-Treasurer of the organization, a post which she has held since 1927. She is assistant to the manager of the Northwestern Federal Savings & Loan Association of Minneapolis.

Cluett Co-Director Of N. Y. Finance Institute

Robert Cluett, III, partner in Burton, Cluett & Dana, and Governor of the New York Stock Exchange, has accepted the position of Co-Director of the New York Institute of Finance, formerly the New York Stock Exchange Institute.

During the Fall Term 1942 the Institute plans to offer basic financial training courses for women and advanced special courses for experienced financial workers. Registration begins September 1.

SALESMAN
with over twenty years experience in selling over-the-counter securities wishes to make a new connection with New York City or New Jersey firm. Excellent clientele. Box A-2, The Financial Chronicle, 25 Spruce St., New York, N. Y.

TRADER
Trader with many years experience as a good producer wishes to make a new connection. Inquiries invited from substantial trading firms or underwriting houses. Best of references furnished. Box H-12, Financial Chronicle, 25 Spruce St., New York, N. Y.

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RAILROAD
MUNICIPAL
BONDS

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CHICAGO
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DIVIDEND NOTICES

COLUMBIAN
CARBON COMPANY

Eighty-Third Consecutive
Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share payable September 10, 1942, to stockholders of record August 21, 1942 at 3 P.M.

GEORGE L. BUBB
Treasurer

HOMESTAKE MINING COMPANY
Dividend No. 856

The Board of Directors has declared dividend No. 856 of thirty-seven and one-half cents ($.37½) per share of $12.50 par value Capital Stock, payable August 25, 1942 to stockholders of record 3:00 o'clock P. M., August 20, 1942.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

R. A. CLARK, *Secretary.*
August 4, 1942.

Spencer Kellogg & Sons, Inc.

A quarterly dividend of $0.50 per share has been declared on the stock, payable September 10, 1942, to Stockholders of record as of the close of business August 22, 1942.

JAMES L. WICKSTEAD, Treasurer

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

NEW YORK, N. Y. — **Albert Aberle**, formerly of Burr & Co., is now in the retail sales department of **Amott, Baker & Co., Incorporated**, 150 Broadway.

NEW YORK, N. Y.—**Harry M. Wootten** has joined the investment advisory department of **Reynolds & Co.**, 120 Broadway.

CHICAGO, ILL., — **Morris Siegel**, for thirteen years with Fenner & Beane in Chicago and recently with H. Hentz & Co., has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, Board of Trade Building, as an account executive.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Brydon O. Myers** is now connected with **Paine, Webber, Jackson & Curtis**, 209 South La Salle Street. Mr. Myers was formerly with Shields & Co. for many years.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Herve H. Hutchison**, previously with Campbell, McCarty & Co., Inc., has joined the staff of **Crouse, Bennett, Smith & Co.**, Penobscot Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **James W. Crawford**, formerly with Moody, Bollinger & Co., has become affiliated with **C. G. McDonald & Co.**, Buhl Building.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Frank W. Beckwith** is now with **Coburn & Middlebrook**, 66 Pearl Street. Mr. Beckwith was previously with Robert C. Buell & Co.

(Special to The Financial Chronicle)

MIAMI, FLA. — **Robert Urquhart Alexander** has been added to the staff of **Corrigan, Miller & Co., Inc.**, Security Building.

(Special to The Financial Chronicle)

RALEIGH, N. C.—**John Ennes Crow** has become affiliated with **Oscar Burnett & Co., Inc.**, Commercial Building.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**Donald J. Van Dyke** is now with **Baynard Bros. Realty & Insurance Co., Inc.**, 687 Central Avenue.

(Special to The Financial Chronicle)

SPOKANE, WASH.—**Mrs. Rhoda G. Anderson** has joined the staff of **Edwin Lavigne & Co.**, Radio Central Building.

DIVIDEND NOTICES

CHRYSLER DODGE Chrysler Corporation DE SOTO PLYMOUTH
YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON
COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable September 14, 1942, to stockholders of record at the close of business August 22, 1942.

B. E. HUTCHINSON
Chairman, Finance Committee

J. I. Case Company
Incorporated

Racine, Wis., August 7, 1942.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company, and a dividend of $3.00 per share upon the outstanding Common Stock of this Company have been declared payable October 1, 1942, to holders of record at the close of business September 12, 1942.

THEO. JOHNSON, *Secretary.*

MUNICIPAL
RAILROAD
PUBLIC UTILITY
AND INDUSTRIAL
SECURITIES

THOMPSON ROSS
SECURITIES CO.
Incorporated
CHICAGO

John J. O'Brien Co. Continues in Chicago

CHICAGO, ILL.—In the Financial Chronicle of Aug. 6 it was reported that John J. O'Brien III had become associated with the Chicago office of Thomson & McKinnon. This was in error. Mr. O'Brien is a partner in the recently formed Chicago Stock Exchange house of John J. O'Brien & Co., 231 South La Salle Street, which clears through Thomson & McKinnon.

John J. O'Brien & Co. acts as stock, bond and commodity brokers and dealers in general market securities.

J. Clarke Dean Now With Daniel Rice Co.

CHICAGO, ILL. — J. Clarke Dean, one of the best known brokers in Chicago and the Middle West, will become associated with Daniel F. Rice & Company, 141 West Jackson Boulevard, it is announced by Joseph J. Rice, partner. Mr. Dean was recently with Jackson & Curtis and prior to that was associated with Hallgarten & Co. for many years. Daniel F. Rice & Company are members of the New York Stock Exchange, Chicago Board of Trade, Chicago Mercantile Exchange and other exchanges.

Adams & Barron With Thompson Ross Firm

(Special to The Financial Chronicle)

CHICAGO, ILL.—Harry S. Adams and Gerald F. Barron have become associated with Thompson Ross Securities Company, 39 South La Salle Street. Mr. Adams was previously with H. M. Preston & Co., Webber, Darch & Co., and Straus Securities Co. Mr. Barron was with J. P. Blaney & Co. and R. H. Smart & Co.; in the past he conducted his own firm in Chicago, G. F. Barron & Co.

July Mtg. Recording High In St. Paul

Ramsey County mortgage recording (in which county St. Paul, Minn., is located) for July, just past, shows the First Federal Savings and Loan Association of St. Paul second high in amount of mortgages placed on record in said county. First Federal total being $72,600 for the month, which exceeds the amount placed by all of the life insurance companies, and was only $5,000 less than the mortgages placed by all of the banks in the city.

The First Federal, according to H. M. Miller, Secretary, has always paid 3% per annum computed semi-annually.

The association owns no real estate and the unpaid balance of all of its mortgages are now covered by War Damage insurance.

W. A. Fuller Co. Is Formed In Chicago

CHICAGO, ILL.—Organization of a new Chicago Stock Exchange firm, William A. Fuller & Co., with William A. Fuller, Wallace T. Combiths and Jerome F. Marquardt as partners, is announced. Offices will be in the quarters at 209 South La Salle Street now occupied by Fuller, Cruttenden & Co., dissolution of which was announced last month to take place soon.

William A. Fuller

Associated with the new firm will be A. J. Cavanaugh and Joseph T. Fuller, who, with Mr. Combiths and Mr. Marquardt, comprised the trading staff of Fuller, Cruttenden & Co. Mr. Fuller was one of the four partners of Fuller, Cruttenden & Co. He is a governor of the National Association of Securities Dealers and Chairman of its Finance Committee and has taken an active part in its affairs since it was organized. He is also a director of Durez Plastics & Chemicals, Inc., North Tonowanda, N. Y.; Chicago Molded Products Company, Chicago, and Fuller Manufacturing Company, Kalamazoo.

The new firm will do a general trading business in unlisted securities and act as underwriters and wholesale distributors.

Enyart Van Camp Opens Dept. Under Wm. Heyn

CHICAGO, ILL.—Enyart, Van Camp & Co., Inc., 100 West Monroe Street, have opened a department to handle the sale of F.H.A. mortgages. The new department will be under the direction of William P. Heyn, formerly assistant to the chief underwriter in the Chicago office of the F.H.A.

Mr. Heyn's association with Enyart, Van Camp & Co., was previously reported in the "Chronicle" of July 9.

H. C. Evans Appointed Brigadier General

Henry Cotheal Evans, partner in the investment firm of Stein Bros. & Boyce, has been appointed to the temporary rank of Brigadier General. General Evans was born Sept. 17, 1895, at Baltimore, and is a graduate of Johns Hopkins University. He went overseas in May, 1917, with the American field service, serving with the French Army. In October, 1917, he was commissioned a 2nd Lieutenant in the Field Artillery, was promoted to 1st Lieutenant in August, 1918, and Captain in November, 1918.

General Evans was commissioned a Captain in the Maryland National Guard in 1922; promoted to Major in 1930; to Lieutenant Colonel in 1931, and to Colonel on Dec. 24, 1940. He was called into Federal service with the Maryland National Guard on February 3, 1941, as commanding officer of the 110th Field Artillery of the 20th Infantry Division. He is a holder of the Distinguished Service Cross and the Silver Star.

Seaboard Ry. Interesting

Van Tuyl & Abbe, 72 Wall Street, New York City, have prepared a circular on the Seaboard Air Line Railway Company, which may be had from them upon request.

Chicago, Wilmington & Franklin Common Stock

(Continued from page 522)

have built pipelines to the field and are currently paying $1.37 per barrel at the well for the oil. C. W. & F.'s income from oil in 1941 was **$862,163** (after direct expenses and taxes). In the first quarter of 1942, it amounted to **$247,862** on the same basis. Under present tax laws, it enjoys a 27½% income tax exemption for depletion of a natural resource, but pays a 3% Illinois sales tax which is being contested as inapplicable by other producers. On the basis of earnings for the first quarter of 1942, income per share from oil appears to be running at an annual rate of $3 before Federal income taxes.

Because its stock has been closely held, the company has not issued periodic income statements, but is understood to have operated profitably during most of its 27-year existence. Recognizing the broadening interest which has been developing in its common stock, the company now has adopted the policy of issuing a comprehensive annual statement. The report for 1941 showed net income before taxes and nonrecurring charges of $1,438,015, and $923,019 after such charges, equal to $2.80 per common share.

Net income per share after all charges in the first quarter of 1942 was $341,158, or $1.07 per common share. Coal operations in 1941 were hampered by the 30-day nation-wide strike in April. Demand for coal after the strike developed quite slowly due to prior stocking up by most large consumers. But the second quarter of 1942 will probably break all records for most southern Illinois producers, especially for steadiness of mine operation which increases the margin of profit. It is estimated that Chicago, Wilmington & Franklin's second quarter coal earnings may actually equal those of the first quarter, with prospects for a continuing high rate during the balance of this year. In addition, ceiling prices set by the OPA for the low-cost southern Illinois mines are considered entirely satisfactory.

Net working capital at the end of 1941 amounted to $1,059,000. Total current assets were $1,738,000 against current liabilities of $697,000. Current assets did not include $204,000 of cash in escrow for release of oil royalties or $17,000 of cash in preferred stock sinking fund. Since the end of 1941 the company's current position has been further strengthened by retention of over 75% of earnings to date. At Dec. 31, 1941, mines, equipment and coal rights were carried at a net figure of $8,915,000 after depreciation and depletion reserves of $5,640,000. Total assets were $12,808,000. Book value of the common stock was $34.25 per share, which figure would be substantially larger were oil resources to be capitalized.

Dividends were paid on the common stock through 1931 and cash distributions were resumed in 1937. Payments totaling 40 cents per share in that year also were made in 1938, 1939 and 1940. The total in 1941 was $1, and quarterly payments of 25 cents per share have been made to date in 1942. If, after enactment of the 1942 Revenue Act earnings continue as favorably as is expected, it would be logical to assume a larger dividend than that now being paid and additional preferred retirement. Unlike most bituminous operators, this company's oil interests make its long-term prospects extremely encouraging.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Offensive in Pacific may start market off on new advance. But no sustained move expected until United Nations begin major offensive against Hitler.

It is still too soon to estimate the degree of success from the offensive begun by our forces against the Japs in the Solomons and in Kodiak. There is little doubt but these new developments will give the market a fillip but I doubt whether an isolated offensive against enemy outposts packs enough charge to really get the market going. If you really want good news, news that will electrify not only the market but the nation as well, it will have to come from an all out offensive across the English Channel.

* * *

I realize as well as you do military tactics have little place in a column theoretically devoted to market analysis and forecast. Yet present day markets hinge so completely on military and naval strategy that to ignore them would be short sighted. Time and again I have propounded the theory that market action alone would indicate the tides of war; whether they were running against or veering towards us. And time and again the market action has forecast coming events. But no market no matter how sensitive can forecast the tides of warfare no matter how much so-called inside information is possessed by any of its followers. The best it can do is either wait and see, or act on hope.

* * *

So far as "wait and see" is concerned we have already seen this tiresome accomplishment paraded before our eyes for these long weary months. "Hope," is something else. It depends on crowd psychology which interprets events to the tune of wishful thinking. Sometimes this wishful thinking takes the form "inflation" and the concommitant anxiety to do "something about it." This may in turn bring an upward surge in stock prices. (I'm assuming inflation minded people buy stocks).

* * *

As one buys his purchase is recorded on the ticker tape. If sellers are few and buyers anxious this kind of buying marks prices up. This in turn brings out still more buying and changes the picture again. So it goes. Meanwhile stories

(Continued on page 536)

We Maintain Active Markets in
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4s & 5s, 1938
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Insured Investment With Liberal Return

The Danielson Federal Savings and Loan Association, 84 Main Street, Danielson, Conn., will be glad to send a booklet and full particulars on insured Federal Savings & Loan investments, which offer, the association declares, unusual opportunities for safety and liberal return on investment. Current dividend rate of 3% per annum.

Secondary Market Review

Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange and other leading Exchanges, have just released in booklet form a 2½-year review of secondary market distributions. The review which records total secondary distributions from Jan. 1, 1940, to June 30, 1942, includes in the compilation both off-board transactions and "special offerings." Copies may be had from Shields & Co. upon request.

Purdy Joins Automotive Council for War Production

DETROIT, MICH. — Richard T. Purdy, manager of the municipal buying department of the First of Michigan Corporation, Buhl Building, has joined the staff of the Automotive Council for War Production, it is announced.

Atlantic City Bonds Interesting

Allen & Company, 30 Broad Street, New York City, are distributing a circular on Atlantic City, N. J., 3% to 4½% general refunding bonds, which offer an attractive prospect at the present time, the firm believes. Copies of the circular discussing the situation in some detail may be had upon request from Allen & Co.

Ins. Stocks Attractive

Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York Stock Exchange, has prepared for distribution interesting circulars discussing the current situation in Eetna Casualty & Surety Company, American Surety Company, Hartford Fire Insurance Company, Insurance Company of North America, National Union Fire Insurance Company, North River Insurance Company, Providence Washington Insurance Company, and United States Fidelity and Guaranty Company, all of which offer, the firm feels, interesting possibilities. Copies of the circulars may be had upon request by writing to Mackubin, Legg & Company, Bank & Insurance Stocks Department.

United Securities Appoints; Opens Orlando Office

United Securities Corporation announces the appointment of Benjamin E. Arnold, Edgar A. Densmore and Mrs. Ruth H. Matchett as Vice-Presidents of their company.

Mr. Arnold and Mr. Densmore will be co-managers of the firm's recently opened Orlando, Fla., office, 703-704 Florida Bank Building, with which Mrs. Matchett will also be associated.

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RAILROAD SECURITIES

The railroads had their day before the Senate Finance Committee last week and were able to marshal impressive arguments supporting their plea for so-called tax relief in the matter of purchases of their own bonds. Actually the plea is for equity and a more realistic approach to the problem rather than for any "relief." There has apparently been some misconception as to the workings of the present rules with respect to when the profit represented by the difference between purchase price of bonds reacquired in the open market and par value is established. It has been held that when bonds are bought and kept alive in the company's treasury there is no profit established until the maturity date of the bonds. Actually the ruling is that a taxable profit has been established as soon as the bonds are acquired for the treasury of the obligor.

On the other hand, purchases by a subsidiary or affiliated company of the obligor do not result in an immediate taxable profit, as the bonds are still considered as outstanding. Many of the roads, therefore, have adopted the expedient of purchases through their subsidiaries. Purchases of bonds below par are also tax free if the company gets a certificate of financial insolvency. Railroad managements are loath to take advantage of this escape clause even though prevailing prices for their obligations may give ample evidence of general public distrust as to their financial status. For one thing, the stigma of a certificate of insolvency would have an adverse long-term effect on general railroad credit, and for another thing the certificate would stand in the way of present or future RFC aid. The railroads are attempting to have the law changed so as to make the bond purchases tax free without any certificate of financial insolvency.

In testifying before the Senate Finance Committee, R. V. Fletcher, Vice-President of the AAR, stated that the Treasury was sympathetic to the proposed amendment, and it is generally expected that constructive action will be taken by the Finance Committee and the Senate as a whole. It so, railroad bond men look for an immediate and sharp acceleration of the rate of railroad bond purchases by the companies themselves, particularly where near- or intermediate-term maturities pose a sizable problem. Other roads which are not faced with important maturities for a long period of years may not enter the market so aggressively, preferring to build up more impressive cash balances to support fixed charges if a severe deflation is encountered after the war.

There is another tax factor which has received little attention in its possible effect on railroads, but which might potentially be very important. It has been suggested that corporations and individuals be allowed to use a portion of their net income for the retirement of debt, that portion of the income to be exempt from income taxes, surtaxes, and the excess profits tax. Such a proposal, if enacted into law and applied to the railroads, would unquestionably mean purchases or other debt retirement by all railroads to the full extent of the allowable deduction.

When talk turns to the possibility of tax relief to the railroads in their debt retirement programs, the spotlight naturally turns to Southern Pacific Co. From an earnings standpoint the road is about the best situated of the marginal roads to make important inroads, and from the standpoint of intermediate-term maturities it has one of the most difficult problems to hurdle. Interest centers on the road because it is not difficult to visualize a solving of the impending problems, contrasted with an enveloping pall of gloom a year or so ago. The balance sheet as of the end of last year showed a total of $246,568,000 of publicly-held non-equipment debt maturing within 10 years, constituting 38% of the system's total non-equipment debt outstanding. There were $15,000,000 of bank loans among the 10-year maturities, with bonded indebtedness making up the balance, distributed as follows:

1943	$8,727,000
1946	64,904,000
1949	132,280,625
1950	24,790,800
1951	866,000

Last year Southern Pacific retired roundly $34,500,000 of non-equipment debt, and so far this year the balance of the bank loans have been liquidated, and it is indicated that additional open market purchases of bonds have been made. The company is in a very strong financial position, and if not impeded by tax considerations should be able to devote virtually its entire net income to debt retirement from here on. Operations are showing wide improvement, and it is now indicated that net for the year will top $55,000,000.

As much as $50,000,000 may be used for debt retirement, which would cover the bank loans and the 1943 maturities in full and allow reduction of the 1946 maturity to about $36,000,000 on the basis of purchase of the latter at an average price of 90. Regardless of the outcome of the war, it now appears obvious that the present rate of traffic will be maintained at least through 1943 and earnings should also be well supported. If $50,000,000 could again be diverted to debt retirement, the company would then be able to provide for the 1946 maturity in full and start eating away at the 1949 problem in 1943. Obviously it would take very little time to put Southern Pacific into an impregnable debt position if tax problems allow sound utilization of the present opportunities.

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Good Return Plus Safety From Insured Investment

The Oak Park Federal Savings & Loan Association, 104 North Marion Street, Oak Park, Ill., will be pleased to send upon request a booklet giving full details on the desirability of insured Federal Savings & Loan investments.

Defaulted RR Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: high—40⅜; low—14¾; August 12 price—37⅛.

Bank and Insurance Stocks

This Week — Bank Stocks

While the industrial changes which have taken place since this country entered the war have been spectacular an equally radical though less apparent transition has been occurring in the banking business. In the 10 years prior to 1941 conditions in the banking business have marked the most distinctive period in the history of the industry. Now, however, there are signs that this era is coming to an end with the impact of the war on the national economy.

The banks had become accustomed to a situation wherein there was a steadily increasing supply of funds and a continuing lack of demand for bank credit because of a partly idle industrial plant. With the devaluation of the dollar in 1934 and the subsequent flight of capital from war threatened Europe to the United States, the gold flow to this country added substantially to the cash in the banking system. Thus in spite of the unprecedented supply of Government obligations which were made available to investors by the deficit financing of the depression years, interest rates continued their decline and remained at the lowest levels in history under the pressure of the record breaking total of excess reserves.

These fundamental elements in the structure of the money market have undergone a substantial change. Excess reserves reached a peak of $7,000,000,000 in the latter part of 1940 but have since declined to a present total of somewhat over $2,000,000,000. The gold movement to this country has ceased and the prospect of substantial future deficit financing by the Government through the banks will tend to decrease excess reserves further. In addition there is the added factor of booming industrial activity and the probable continued demand of industry for a substantial volume of bank credit to help finance the war effort.

While the immediate outlook for bank profits has been clouded by the rise in bank operating costs and the substantial increase in bank taxes the foregoing developments may point to an eventual change in the trend of interest rates. After all, the major factor which has held down bank earnings for the past several years has been the low return on earning assets and an improvement in this direction could, in the long run, do much to offset the increase in operating costs and taxes.

Bank stocks have appealed primarily to the conservative investor who is interested in the stability of income and the intrinsic value of the security he holds. In this connection it seems that most of the larger banks will be able to maintain their dividend rates even in the face of the impending increases in costs and taxes, as earnings in the majority of cases have covered dividend requirements by relatively safe margins.

While everyone is reconciled to making substantial sacrifices during the war period and to do their full share in paying the bill for victory, all investors have a genuine interest in the post-war position of their investments. In the case of industrial companies there may be many dislocations during the period of transition to a peacetime economy. On the other hand, the banks may find their immediate post-war positions improved by the change-over to normal peace time business conditions. During the war much of the burden of financing production has been taken over by the Government but it is to be expected that with a return to private enterprise for the enormous demands of reconstruction that the banks will again become the primary source of business credit.

While it is true that the bank stock investor may face a period of sacrifice along with other investors it should be compensating to consider the long-term position of bank stocks which is bolstered by the strong position of the banking system, the intrinsic value of bank assets and the prospects of higher money rates and a greater demand for bank credit after the war.

Primary Markets

All Fire
Insurance Stocks

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Members New York Stock Exchange and other leading exchanges
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Telephone DIgby 4-2525

Savings Earn With Safety

Savings and Loan insured accounts offer good income, with safety, and are legal investment for trust funds, according to an interesting booklet on these investments issued by S. R. Gaynes & Co., 225 Broadway, New York City, brokers specializing in the sale of Federal Savings and Loan insured certificates. Copies may be had from S. R. Gaynes & Co. upon request—ask for Booklet F.

Sees Cotton Price Rise

The improbability of producing a cotton crop this season sufficiently large to satisfy the growing demand for the staple is advanced by Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading Stock and Commodity Exchanges, as the basic reason for a prospective rise in cotton prices.

"This country will need more than 12,500,000 bales and the chances of producing that quantity are indeed slim and would require a yield per acre around the highest on record," according to a study just completed by the commodity department of the firm. "No experienced cotton farmer would count upon it at this early stage of the growing season.

"Reserve stocks as represented by government holdings are rapidly diminishing and at a time when Russia will probably be an added consumer of our cotton under the Lend-Lease program. According to the Bureau of Agricultural Economics July Issue—In 1942 and 1943 the volume of manufactured goods available for civilian purchases will be sharply reduced from 1941, whereas consumer income will be sharply higher. This places a tremendous pressure on commodity prices during 1942 and 1943. Thus civilian demand is also going to increase."

In its study, the firm points out that cotton "is a war product and is used extensively for war purposes. It is also a peace time product but under the wear and tear of destruction its use increases. It also responds in price to inflation because it is recognized throughout the world as maintaining value regardless of what occurs to the value of others things including money."

Govt.-Guaranteed Loans To War Plants

In the four months since the issuance of the President's executive order authorizing the Army, Navy and Maritime Commission to guarantee loans for war production purposes more than 800 loans, aggregating approximately $450,000,000, have been authorized through the Federal Reserve banks, acting as agents for these services, it was announced on Aug. 5 by Donald M. Nelson, Chairman of the War Production Board. Mr. Nelson revealed that the loans, which are made through regular banking channels under the guarantees provided by the armed services and the Maritime Commission, have ranged in amount from $400 to $40,000,000. Nearly 60% of the total number of loans were for amounts under $100,000. Loans have been made principally to sub-contractors, and in many instances to prime contractors, all of whom were thus enabled to obtain through regular banking channels the necessary financing for essential war production. In issuing the over-all figures, Mr. Nelson made the following statement:

"The War and Navy Departments and the Maritime Commission were authorized by Executive Order 9112, signed by the President on March 26, 1942, to make, participate in, or to guarantee, loans to firms engaged in production essential to the war effort. The Federal Reserve banks were appointed as agents of these departments to execute the necessary guarantees.

"The need for such an executive order arose from the fact that many contractors and sub-contractors, both large and small, received a volume of war orders much larger than could be financed with their invested capital and their normal borrowing capacity.

"Since the issuance of the executive order and the setting up of the necessary organization to make it effective, covered by Regulation V by the Federal Reserve Board, it has been possible to arrange for prompt financing of these borrowers who previously were unable to obtain adequate financing through commercial channels. Thus a large amount of war production has been facilitated, and this is significant for what has been added to the volume of war material rather than for the mere dollar volume entailed.

"The primary purpose of the executive order—to expedite war production by relieving contractors of financial problems—is being successfully achieved. In the four-month period through July 25 guarantees have been authorized aggregating approximately $450,000,000. The widespread utilization of the loans is indicated by the fact that the amounts of the loans range from $400 to $40,000,000. Nearly 60% of the total number of loans have been for amounts of less than $100,000. Only about $6,000,000 of authorized guarantees have not been utilized, and this figure is not included in the $450,000,000 total of loans authorized. I might point out that loans have been made in all parts of the United States and have covered a wide variety of war requirements—camouflage nets, planes, gun turrets, sub-chasers, sleeping bags, to mention just a few at random.

"One purpose of the present procedure in making loans of this type has been to utilize to the fullest extent the existing banking facilities of the country instead of setting up a Government bureau or agency to duplicate such financial organizations. In this purpose, too, we have been successful. The banking institutions of the country have cooperated fully in these loans, their unguaranteed participations ranging from 10% up to 90%.

"Contractors and financial institutions desiring information on the procedure for loans under Executive Order 9112 should inquire at the nearest Federal Reserve bank or branch."

July Failures Again Lower Than Year Ago

July business failures were lower than in June and also lower than a year ago, both as to the number and amount involved. Business insolvencies last month, according to Dun & Bradstreet, Inc., totaled 764 and involved $8,548,000 liabilities, as compared with 804 involving $9,906,000 in June and 908 involving $13,422,000 in July, 1941.

The decreases in number from June took place in all divisions except only the Commercial Service division. When the amount of liabilities is taken into consideration all divisions recorded a decrease from a month ago except the Commercial Service and Retail divisions.

Manufacturing failures last month numbered 120, involving $2,078,000 liabilities, compared with 135 in June with $3,327,000 liabilities. Wholesale insolvencies decreased to 64 with $1,021,000 liabilities from 68, with $1,209,000 liabilities in June. In the Retail trade section, failures were down to 465 from 486 in June but liabilities were up to $3,950,000 from $3,752,000 a month ago. Construction insolvencies numbered 63 with $584,000 liabilities, which compares with 67 with $945,000 liabiltiies in June. Commercial Service failures numbered 52 with $915,000 liabilities, as against 48 with $673,000 liabilities in June, 1942.

When the country is divided into Federal Reserve districts it is seen that all districts had fewer insolvencies in July than in June with the exceptions of the Philadelphia, Richmond and San Francisco Reserve districts. When liabilities are considered only the Philadelphia and St. Louis Reserve districts had greater liabilities, while all the remaining districts had a smaller amount involved.

Four NASD Governors Now On War Duty

Four Governors of the National Association of Securities Dealers, Inc., have tendered their resignations to the Association since they are intending to devote their whole time to war work or military duties. These are: Francis F. Patton, A. G. Becker & Co., Chicago; Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh, Pa.; Merville W. McInnis, McInnis, Van Dusen & Co., Seattle, and Harvey Rony, Merrill Lynch, Pierce, Fenner & Beane, Los Angeles, Cal.

H. J. Peiser Rejoins Ira Haupt Co. Staff

Harry J. Peiser is now associated with Ira Haupt & Company in their municipal bond department. For the past seven years Mr. Peiser has been manager of the municipal bond department of John B. Carroll & Company, prior to which time he had been with Ira Haupt & Company from 1933-1938.

Rail Outlook Pro & Con

The coming weeks hold the promise of higher railroad stock and bond prices, according to a memorandum issued by Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange. The memorandum takes up both favorable and unfavorable factors in the rail situation and offers some interesting conclusions. Copies of the memorandum may be had upon request from Parrish & Co.

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Reserve Liability of Prop. 8,780,000
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Aggregate Assets 30th Sept., 1941 __________ £150,939,354

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Committee To Study Withholding Tax

(Continued from First Page)

granted a 5% depletion allowance and sulphur producers are granted a depletion allowance of 23%. Present laws also premit natural resource exploiters the option of amortizing or writing off intangible drilling expenses.

"Ralph E. Davis, representing the American Gas Association, also advocated retention of the depletion allowance plan as provided in present law. He emphasized that a serious gas shortage threatens in the Appalachian area and urged the committee to give careful consideration to the effect of too drastic an increase in taxes on the natural gas industry.

"The Treasury has insisted that present regulations governing depletion and intangible drilling expenses constitute a 'special privilege' to the oil and mining industries and has recommended that depletion should be based on actual cost and that intangible drilling expenses should be amortized over a period of years.

"Senator Thomas (Dem., Okla.), took the witness stand to notify the Senate Finance Committee that if the depletion allowance provisions were changed by the committee, he would oppose the changes on the floor of the Senate when the revenue measure comes up for consideration by the Senate. . . ."

Former Senator Thomas P. Gore, of Oklahoma, led the fight against the Treasury's proposal to place depletion of natural resources on a cost rather than a percentage basis. The former Senator was one of those responsible for the present depletion regulations which were placed in the law in 1918.

The former member of the Senate said that only about $80,000,000 would be added to the Federal revenues by the Treasury's proposal on depletion and intangible drilling expenses, and added that this would be "only enough money to run the war 13 hours and 13 minutes."

The Securities Salesman's Corner

A SALES LETTER THAT PRODUCED RETURNS OF 13%

The following letter was sent to a selected group of 100 people. It produced 13 replies and three firm orders, with the strong possibility that several additional orders will also develop. It has been sent to us by Stanley M. Rosenbaum of A. C. Allyn & Co., Chicago. We believe that after you read it through you will agree with our opinion—that this represents the kind of merchandising that will create business even in the most difficult markets:

Dear Sir:

There is a somewhat unusual situation which may be of interest to you—a certain stock issue that was sold originally in August, 1937, just five year ago. Here are some facts:

1. This stock has yielded over 12%, based upon the par value, for the past three years, and at today's offering price it yields approximately 12.85%.

2. The company's cash has been greatly in excess of all current liabilities the past three years.

3. The earned surplus has increased over 100% the past three years.

4. The net earnings per share after taxes have gone up from $2 to $3.22 during the past three years, while taxes have risen in the same period from 72 cents to $4.72 per share.

Below I am listing its five-year record of earnings and dividends. In addition, there is a three-year record of certain pertinent facts from its balance sheet:

	Earnings	Dividends	Fed. Inc. Taxes Per Share
Fiscal year ended Feb. 28, 1937	$1.35	----	----
Fiscal year ended Feb. 28, 1938	1.70	$1.00	----
Fiscal year ended Feb. 28, 1939	1.00	.75	----
Fiscal year ended Feb. 28, 1940	2.01	1.25	$0.72
Fiscal year ended Feb. 28, 1941	2.12	1.12½	1.51
Fiscal year ended Feb. 28, 1942	3.22	1.30	4.72

	Cash	Current Liabilities	Earned Surplus	Book Value
Feb. 28, 1942	$1,441,601	$1,245,253	$988,562	$15.5
Feb. 28, 1941	884,417	417,521	581,559	13.2
Feb. 28, 1940	746,546	249,309	410,684	12.3

This stock is selling below its par value and considerably lower than the book value. It is neither a "war baby" nor a "peace stock." It's a combination of both.

Naturally I have only selected certain salient features to present in this letter, and the above is in no way to be construed as a complete financial statement of the company. I don't know or care very much whether this stock goes up or down. In my humble opinion it is worth a great deal more than its present offering price, but what is one man's opinion worth today, anyway? Obviously, not very much.

If you would like to know the other side of this picture—namely, what's wrong with this stock, you will have to contact me. Isn't it natural to present only the best side of a proposition like this to begin with?

With kindest regards,

Sincerely yours,

Notice how this letter sustains interest. The four salient points are forcefully emphasized right at the beginning of the letter. The five-year record is clearly shown and it does not make the mistake of becoming too involved.

The last two paragraphs seem to say: "I think this is a good investment; somehow I believe you can see why I think so. Let's talk it over." In other words, it's a sincere and friendly invitation to know more. The line, "I don't know or care very much whether this stock goes up or down," in our opinion is a gem. Here's a stock that yields 12.85%, with an excellent past record. As long as the future looks fairly promising that ought to be about all any investor could or should ask for in times like these.

This kind of a sales letter takes time and effort to prepare. It is based upon fundamental merchandizing principles. Research was necessary to uncover this situation. Even after the letter was mailed and the preliminary work was done—we still don't believe that these sales were made without the expenditure of considerable effort. **Remember this is the sort of creative selling that the SEC would completely destroy if their latest proposal to force dealers to show their customer wholesale bid and asked prices on retail trades goes into effect.** It is important that retail security salesmanship survives—the only way to make certain that this iniquitous proposal does not become part of the law regulating the securities business is to organize against it.

Salesmen, get busy! Such intelligent merchandising effort as this should not be destroyed. Any group of men who are good enough to go out and sell securities in these times shouldn't be licked just because some well-meaning theorist over at the SEC gets a brain storm. Get busy and show them that this time **"even you can be wrong."**

P. S.—Because we don't believe that we are at the "end of the road," we are even optimistically hoping that if some of the other readers of this column have a good idea they would like to pass along, that might be helpful to the other fellow, that they will please send it to the editor of this column.

Rayon Yarn Production In 6 Mos. Over 1941

Production of rayon yarn by American mills aggregated 234,700,000 pounds in the first half of 1942 as compared with an output of 218,200,000 pounds reported for the corresponding 1941 period, a gain of 16,500,000 pounds, according to figures compiled by the "Rayon Organon," published by the Textile Economics Bureau, Inc.

The Bureau's advices, made available Aug. 7 stated that second quarter rayon yarn production aggregates 117,600,000 pounds, the second largest quarterly production on record and only slightly below the all-time record of 118,800,000 pounds produced in the final quarter of 1941. Production in the first quarter of 1942 amounted to 117,100,000 pounds and in the second quarter of 1941 output totaled 112,000,000 pounds. The announcement adds:

"For the quarter ended June 30, 1942, the production of viscose-cuprammonium yarn amounted to 76,900,000 pounds, a new all-time high quarterly total. This new record exceeded the previous high of 75,700,000 pounds produced in the last quarter of 1941 by 2%. The acetate division of the industry, however, registered a decline in output to 40,700,000 pounds as compared with a production of 41,900,000 pounds produced in the first quarter of 1942 and a quarterly record total of 43,100,000 pounds produced in the last quarter of 1941. The chief reason for this loss in poundage is the continuation of the progressive reduction in the average denier size of acetate yarn spun.

"Deliveries of rayon filament yarn to domestic consumers totaled 39,900,000 pounds in July as against 38,900,000 pounds in June and 39,400,000 pounds in July 1941. For the seven months ended July, shipments totaled 271,300,000 pounds as compared with 258,600,000 pounds shipped in the corresponding period of 1941. Stocks of rayon filament yarn in hands of producers totaled 6,700,000 pounds on July 31 against 7,000,000 pounds at the end of June.

"Staple fiber deliveries for July totaled 12,600,000 pounds as compared with 13,700,000 pounds in June and 12,600,000 pounds in July 1941, and stocks aggregated 3,200,000 pounds on July 31 against 2,300,000 pounds on June 30. Shipments for the seven months ended July 31 aggregated 88,400,000 pounds as compared with 76,700,000 pounds shipped in the corresponding period last year.

Resign From Coffee Exch. To Enter Govt. Service

William Whitney Pinney, 26th President of the New York Coffee and Sugar Exchange, Inc. resigned on Aug. 5 in order to assume active duty as Lieutenant Senior Grade in the United States Navy. At the same meeting, the resignations of Richard L. Lamborn as Treasurer of the Exchange and Frederick R. Horne as Board member were also accepted. Mr. Lamborn has also entered the service of the Navy as Lieutenant, (J. G.). Mr. Horne has become associated with the Board of Economic Warfare, Sugar Section, with headquarters in Washington.

The Nominating Committee of the Exchange, at a Special Meeting on Aug. 6 proposed the name of William B. Craig as its candidate for the office of President vacated by Mr. Pinney. Mr. Craig is at present the Vice-President of the Exchange and has previously been a member of the Board of Managers and of several of its Committees. He is Vice-President of the sugar importing and brokerage firm of Ledward, Bibby & Co., Inc. with principal offices at 106 Wall Street.

At the same time John C. Gardner was nominated to fill the vacancy in the Exchange created by the resignation of Mr. Lamborn as Treasurer. Mr. Gardner was elected to membership in the Exchange in 1932 and to the Board in January of this year. Mr. Gardner is Vice-President of Lowry & Co., Inc. of this city with which firm he has been associated for many years.

In its announcement of Aug. 5 the Exchange stated:

"Mr. Pinney, a graduate of Harvard University will have seen service in two World Wars, since he enlisted in the Army in 1917, later receiving a commission as Lieutenant in the Flying Corps. During that War he saw 18 months of active service in France. His business career started with the Brazilian Warrant Co. in 1919 and in 1920 he formed the firm of Schwartz & Pinney which continued until 1926 when it was changed to Pinney & Lee, its present form. Since 1935 Mr. Pinney has been Vice-President of the Brazilian Warrant Company, Inc., American representatives of coffee shippers of Central and South America and British East Africa as well as Brazilian cotton shippers. Mr. Pinney was elected to membership in the Exchange in 1929 and has served as Treasurer and Vice-President and was elected to the Presidency in January, 1941."

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"HOW LOW ARE PRICES?"

"We have all become so accustomed to seeing low prices that it may help us to gain perspective if we compare today's quotations with those which were current when war had not obscured the picture. We, therefore, present a tabulation of the stocks of nine of the largest and most prominent American corporations, selected because these stocks are recognized market leaders. We have deliberately chosen the end of 1938 for comparison because that was anything but a time of optimism. American business had just completed a highly discouraging year and there was yet no valid basis for expecting marked improvement.

Stock—	Dividend Per Share 1938	Price Dec. 31, 1938	Dividend Per Share 1941	Price July 30, 1942	Dividend Per Share 1942 to Date
Anaconda Copper	$.50	$35⅛	$2.50	$25⅝	$1.50
Bethlehem Steel	---	78⅝	6.00	52⅛	4.50
E. I. du Pont	3.25	154½	7.00	114¾	2.25
General Electric	.90	43½	1.40	25¾	1.05
General Motors	1.50	50	3.75	36⅞	1.00
Johns-Manville	.50	105	3.00	57	1.25
Kennecott Copper	1.75	43¾	3.25	29¼	1.00
U. S. Steel	---	69⅛	4.00	47	3.00
Westinghouse Electric	2.50	119½	5.00	66⅛	2.75
Averages	$1.21	$77.68	$3.99	$50.50	$2.03

"To sum up, these nine leaders sold at an average price of 77.68 when their dividends averaged $1.21. Now they are selling more than twenty-seven points lower against 1941 average dividends of $3.99.

"True, 1942 dividends probably will not equal 1941 figures in most cases. But do current prices represent fair values for these issues on the basis of disbursements which may reasonably be expected? Note that six of the nine have already paid or declared dividends in 1942 greater than their totals for the full year of 1938, although 1942 is but little more than half over and the 'year-end extra' period is still ahead. It seems quite safe to say that all will exceed their 1938 payments and some have already disbursed several times those figures.

"Stocks may be lower or higher in the immediate future but we cannot escape the feeling that this is not a good time to try to obtain the exact bottom. If we are to have a bull market the early stages are apt to develop suddenly and cover a great deal of ground. It is easy to miss the boat."—From the Aug. 1 issue of Hugh W. Long & Company's *New York Letter*.

* * *

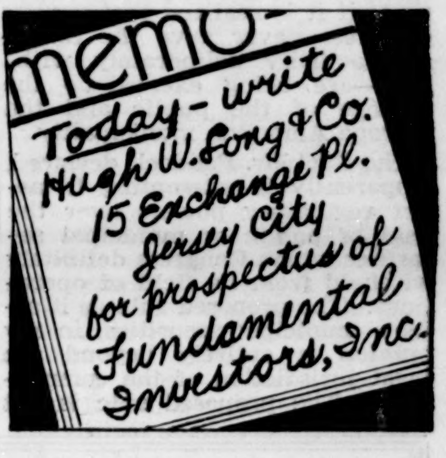
"Now You Can Do Some Figuring"

"Much tax guess work is now in process of removal—as far as corporations are concerned. When you talk of 45-90% rates, you are talking of the tacitly accepted maxima.

"Today there is a new kind of guessing to be done—numerous proposals are being considered designed to help, rather than burden, corporations. Regardless of their outcome, the fact that they are being considered is a straw in the wind.

"Two of these tentative proposals bear directly upon companies with debt outstanding. One would permit a company to buy in its own bonds in the open market at a discount without paying an income tax upon the so-called "profit" represented by the difference between the purchase price and the book figure or par. If this were put into effect an entirely different tone would be seen in the discount bond market, rails in particular. Many bonds would

(Continued on page 532)



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Municipal News & Notes

The move of the Securities and Exchange Commission to extend its regulatory control to the field of municipal securities has been the conversation piece among the fraternity for the past week. Discussion of the SEC's proposal to force disclosure of bid and asked quotations in over-the-counter transactions occupied considerable wire and social time by municipal men. On July 29 the SEC made public a proposed new rule for disclosure to customers of the best bid and asked prices of a security at the time of a sale or purchase or the dealer's cost. Opinions were requested to be submitted to the commission on proposed rule X 15 C 1-10 by yesterday, Aug. 12.

Naturally enough, active opposition to the proposal was forthcoming in short order. Particularly vehement was the attack on the short period of time allotted to dealers on a rule that would vitally affect their course of business. Taking heed of the numerous protests, the SEC was gracious enough to extend a delay until Sept. 15, in order to permit affected parties a more thorough consideration of practical problems raised by the proposed rule.

It is the opinion of Representative Paddock, Illinois Republican, that considerable opposition can be expected in Congress to emgrace municipal securities within such regulatory brackets. He said that Congressional circles "certainly will take appropriate action" if it is realized that powers Congress never gave the SEC—and actually deliberately withheld—are being exerted to the damage of the public and the average American municipality.

The SEC Mr. Paddock declared, "apparently is attempting to assert regulatory powers over the field of public or municipal securities which Congress definitely withheld from its field of operations. The proposed rule as it affects municipal securities, in my opinion is entirely beyond the legal jurisdiction of the commission. The proposed rule is not only unworkable for the over-the-counter industry generally, but would practically destroy the secondary market for municipal bonds by making it impossible for dealers to handle it."

Mr. Paddock traced the repercussions that the proposed ruling would have on municipal markets and in turn on State and city governments and ultimately the local taxpayer. The virtual destruction of the trading market, he explained, "would of course have immediate and disasterous effect on municipal prices, since many customers would be reluctant to purchase at original offerings securities for which subsequent markets would be seriously impaired."

State Income Flow Changes Reported

Abrupt changes developed in the flow of income to the various States and regions during the past year, according to the National Industrial Conference Board. In a recent statement the Board reported that, although every State without exception enjoyed a higher level of income than in 1940, the range of increases was extremely wide, varying from a low of 7% for Montana to a high of 46% for Mississippi. The corresponding range of increases from 1939 to 1940 was much more restricted, the upper limit being only 11.5%. Wider variations also occurred in income by geographic regions, with gains ranging from 14% in the Mountain area to 31% in the Pacific region. The upper limit of regional increases in 1940 was 8%.

"Gains were generally most marked in those areas in which defense and war contracts were highest as compared with their normal peacetime production," the Board commented. "Thus the Pacific area which has had its income raised most sharply also received the highest share of war contracts in proportion to its 1939 manfacturing output. Specifically, total war contracts from June, 1940, to January, 1942, were almost four times as large as total value added by manufacture in this area in 1939. In contrast, the expansion of income in the New England, Middle Atlantic, and East North Central regions, comprising the predominant peacetime manufacturing belt, was slightly below the average for the nation. War contracts awarded to these regions were, in turn, just about equal to the aggregate value of their manufacturing operations in 1939."

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Gas Tax Revenue Falls In 26 States

The Federal Works Agency reported last week that June gasoline tax returns in 26 States declined 17% from the same month of 1941, reflecting the effectiveness of measures to conserve tires, gasoline and motor equipment.

All but six of the States are outside the Atlantic seaboard ration area.

The FWA said the six States in the rationed area — Connecticut, Georgia, New York, Rhode Island, Vermont and Virginia — showed the greatest reductions in sales of tax-paid gasoline. Rhode Island was first with a 31% reduction, Virginia and Georgia showing the smallest decline—22%.

Of the 20 States outside the area, South Dakota showed the greatest reduction — 24% — with Mississippi showing the smallest decline with 1.7%.

Cities In Eight States Permitted To Build Reserve Funds For Future Use

Local governments have the necessary legal authority in eight states to lay up money now for financing public improvements which will be needed after the war, the American Municipal Association said Tuesday.

Reserve funds will give cities and counties wide latitude in planning post-war construction and rebuilding of deteriorated facilities without saddling themselves with debt. The construction itself will provide a cushion for absorbing manpower released from war industries and the armed forces.

Though five states—New York, Michigan, Washington, Kentucky and New Jersey—adopted their cash reserve fund laws in 1941 and 1942, the legislation is not a "war idea," the Association said. First law of this kind was adopted by Oregon in 1931 to help cities avoid long-term borrowing and debt for public improvements long after they had worn out.

Oregon authorizes cities, counties and school districts to use accumulated reserves for financing construction of public projects and to buy street and fire-fighting equipment. California cities are authorized by a 1937 law to set up cash reserve funds by ordinance specifying their use. There is no limit on the amount levied annually nor upon the time levies may be extended. Nebraska's fund-enabling legislation of 1939 limits levies, to be approved by voters, to a 10-year period.

Of the states taking action more recently, New York and Washington have the broadest laws, according to the Association. The New York act authorizes the local governing body to make levies without limit on time and amount and without an election. Washington's law is similar, but requires that purpose of any proposed levy must be specified in the ordinance making the levy and may be changed only by a majority vote at a general or special election.

The Michigan act applies to school districts only, while the Kentucky law applies only to boards of education in second-class cities. This year's New Jersey law permits municipalities to budget annually, until the end of the war presumably, for a public works reserve fund.

Considerable use of enabling acts is reported from the eight states. Among California cities, South Gate financed a city hall from capital reserves accumulated out of delinquent taxes and by special levies. More than half a dozen New York cities set up capital reserves last year, including Elmira, Ithaca, North Tonawanda and Jamestown. Four Nebraska cities have set up funds, and 24 municipalities have acted under the 1941 Washington enabling act.

War Risk Coverage For Cities

Coastal cities, the first to use Federally sponsored war risk insurance on municipal property, are covering city buildings and their contents, city-owned bridges and reservoirs, according to the Municipal Finance Officers Association. Some are insuring automotive equipment and police and fire alarm systems.

Baltimore, with the most extensive war risk coverage, is insuring $74,229,000 of property, whereas Seattle is insuring municipal properties for $30,000,000—15% of their total valuation. Los Angeles' war risk insurance totals more than $30,000,000, covering municipal buildings, harbor facilities and water and power facilities. Hartford is covering all public buildings and contents, automotive equipment, street lighting, bridges, and other facilities to the extent of $21,638,000.

Detroit, one of the three inland cities reporting to the Association, will pay premiums on $59,000,000 of insurance. This insurance is on properties valued at $500,000 or more, but it does not include the municipal street railway, Board of Education, and housing authority, which will obtain their own coverage.

Cities reporting that they probably would not buy war damage insurance include New York, which will self-insure; Chicago, Cincinnati and Denver.

N. Y. State Local Debt Control Program

State control of local governmental debt becomes effective next year in New York as first step of a program to establish a uniform finance code for municipalites, the Municipal Finance Officers Association said last Friday. State control will start July 1, 1943, under a law enacted by this year's legislature.

When the program is completed New York will have a State finance code prescribing uniform procedures and minimum standards of operation for local debt, local budgeting, assessment and review and assessment and taxation.

Approved by local officials in general, the new State debt control law resulted from a four-year study by a Temporary State Commission for the Revision and Codification of Laws Relating to Municipal Finance. Debt regulations of the law are considered the minimum, giving municipalities freedom to enact additional or more stringent restrictions. Since the statute is not effective until next July there is opportunity for further study and revision if necessary.

The State debt control act lists projects for which a city may go into debt and their periods of "probable usefulness." New water systems, for example, are listed at 40 years; sewers and electric plants, 30 years; highways, five years; fire trucks from five to 10 years according to cost; public housing, 50 years.

All local bonds must be serial, except in New York City, and detailed restrictions are placed on issuance and repayment of notes. There is no provision for certificates of indebtedness. The law also specifies means for authorization of local obligations, giving form and content of resolutions and procedure for enactment. The local resolution in cities is not subject to mandatory referendum but in school districts the tax must be voted by taxpayers before the resolution is adopted.

Terms, form and contents of obligations are specified and callable bonds are permitted. They cannot be sold at less than par nor can interest be more than 5%. In lieu of advertising sale of bonds in a financial publication, bond houses may be circularized; in any event, bond sales must be advertised in a local newspaper.

After a 20-day period, validity of a bond issue may be attacked only on grounds that it is unconstitutional. "Down payment" provisions for capital improvements include 5% down payment from current funds with annual increases after Jan. 1, 1945. Other provisions of the law cover debt statements, computations of net debt and debt limitations.

After the bill was first introduced in 1941, copies were sent all local attorneys, finance officers and other officials for criticism. The bill was revised on the basis of this criticism and introduced in the 1942 Legislature, which approved it.

West Virginia Awards Bonds

Largest sale thus far this week of long-term bonds was the award Tuesday of $1,000,000 State of West Virginia road bonds to a group comprising Halsey, Stuart & Co., Inc., Blair & Co., Inc., and George B. Gibbons & Co., Inc. The bonds are dated April 1, 1942, and mature serially from Sept. 1, 1943 to 1967. The bankers bid 100.084 for the issue, stipulating that $200,000 of the bonds bear interest at 3% and $800,000 at 1½%. This was equivalent to an interest cost to the State of 1.567%. Reoffering is being made at prices to yield 0.40 to 1.65%.

This award was made at a basis cost just slightly higher than a similar issue marketed last April but considerably better than the 1.73% interest cost to the State for the $1,000,000 road bond sale on Jan. 27, a few days afer Mr. Morgenthau's little speech in Cleveland.

Seattle Offering Cancelled

The sale of $7,900,000 municipal light and power bonds, which had been scheduled for award yesterday by Seattle, Wash., has been postponed indefinitely. The City Comptroller advises that the postponement was necessitated due to the fact that present construction costs now exceed the original estimates. This is the third time that this flotation has been postponed.

No Major Sales Listed

For the next few weeks there are no sales scheduled which meet our requirement of $500,000 for inclusion in the customary list. Tomorrow Rochester, N. Y., is offering $1,500,000 notes, but we exclude short term issues. Northampton Co., Pa., is also offering tomorrow an issue of $466,000 refunding bonds. Next Tuesday, Jackson, Miss., will market $417,500 street and water bonds. Beyond that there are no important flotations on the horizon.

Under existing law interest exempt from all Federal Income Taxation

$1,000,000

State of West Virginia

3% and 1½% Road Bonds

Due $40,000 annually April 1, 1943 to 1967, inclusive

Legal Investment, in our opinion, for Savings Banks in New York, Massachusetts and Connecticut

These Bonds, to be issued for road purposes, in the opinion of counsel will constitute valid and binding obligations of the State of West Virginia, for the payment of which the full faith and credit of the State are pledged. The principal and interest on said bonds, together with other State bonds issued for road purposes, are payable primarily and without priority from State motor vehicle and gasoline taxes and, in addition, supported by ad valorem taxes which may be levied against all the taxable property therein within the limits prescribed by law.

$200,000 3% Bonds due 1943 to 1947, inclusive

Prices to yield 0.40% to 1.00%

$800,000 1½% Bonds due 1948 to 1967, inclusive

Prices to yield 1.10% to 1.65%

These bonds are offered when, as and if issued and received by us and subject to the approval of legality by Messrs. Caldwell, Marshall, Trimble & Mitchell, whose opinion will be furnished upon delivery.

HALSEY, STUART & CO. Inc. BLAIR & CO., INC.

GEO. B. GIBBONS & CO.
INCORPORATED

Dated April 1, 1942. Principal and semi-annual interest, April 1 and October 1, payable in New York City. Coupon bonds in $1,000 denomination, convertible into fully registered bonds of $1,000 and $5,000 denominations. The information contained herein has been carefully compiled from sources considered reliable, and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

August 13, 1942.

SEC Profit Disclosure Rule On Counter Dealings Viewed As Threat To Entire Securities Industry

(Continued from page 523)

transaction.

Fraud and deception are abhorrent to all responsible dealers and there can be no objection to any attempt to curb them, but certainly it is improper and unnecessary to kill business in order to prevent fraud therein. Of course, dealers should not reap unconscionable profits and it is perfectly possible for the SEC to set limits upon the profits of any dealer, but the proposed rule is not the way to do it because it discourages business and casts an odium of suspicion around the dealer which is not justified.

It seems to me that the unlisted dealers should write the SEC direct on this question as well as the NASD.

DEALER No. 6

Following letter was sent by Strauss Bros., New York City, to the National Association of Securities Dealers, Inc.:

We cannot sufficiently express our concern over the proposed rule X-15C1-10, relating to disclosure of market prices, and must urge determined opposition on the part of the National Association of Securities Dealers to adopting this rule, the ultimate effect of which may result in total disruption of the over-the-counter market.

Notwithstanding the legitimate intention of this rule to eliminate those in our midst who exist by unscrupulous methods, it seems hard to imagine that a way is chosen which will hurt the honest dealers. Obviously those whose methods of business cannot stand scrutiny are not to be deterred by the necessity of violating still one more rule. The fact that secondary distribution on the exchanges are exempt, must lead to the uneasy conclusion that there is patent discrimination against the over-the-counter dealer, and that the main purpose is not limited to the prevention of abuses, which at the most must be confined to a minority fringe of the industry.

The rule in theory has no place in the general concepts of the relation of any other business to the general public; no business is compelled to disclose its wholesale market to the general public. It is theoretically ridiculous to place disclosure of price within the description of fraudulent practices, since the mechanics of the rule are so unworkable, most probably every dealer in securities would eventually be subject to a charge of fraud. Obviously the securities industry could not hope to survive under such onerous burden.

The rule would prove harmful to the investor for it would ultimately lead to a total stagnation of the over-the-counter market through the collapse of the merchandising efforts of the retail dealer, who primarily is responsible for producing buyers and sellers which permit the maintenance of markets for the large number of securities which obviously could not find no other means of distribution except in the over-the-counter market. The final damage would be the total inability to finance the vast number of smaller companies, whose securities constitute the bulk of business in the over-the-counter markets with serious reverberation to our national economy.

Further, the implication in the rule is to place a stigma on the making of any fair and legitimate profit, as if to presume that the very profit itself no matter how reasonable is something to be abhorred. There appears to be little appreciation of the essential difference between business on the exchanges and in the over-the-counter market—the latter is based on merchandising methods involving substantial expense and effort, and which therefore must have a mark-up above cost in the same manner as any other retail business.

From the standpoint of operation of the rule, it is entirely unworkable in that a retail dealer could not possibly guarantee that any market bid and ask he obtained was the best; it would necessitate the task of approaching every trading house listed as making a market in the particular security—but the fact that any firm is ready to quote a market would not mean that they are also willing actually to buy and sell on that market. The plight of a retail dealer trying to consummate a transaction in a security where the market in a security exists in a different city would be even worse. We wonder what the reaction of his customer would be, if informed by the retail dealer that a considerable amount of telephone and teletype charges would have to be added to his cost in order to permit compliance with the rule—of course, all for the protection of the customer. Nor can we see how a retail dealer can be compelled to disclose what purports to be the professional or wholesale market to his client. This in itself is an improper disclosure since this would give the customer the quite erroneous impression that he could trade on these markets, which actually is not the case.

We could go on citing innumerable instances of the total impracticability of the rule, were it not for the fact that the entire basis of this rule is fundamentally unsound, unreasonable and prejudicial to the interests both of the security dealer and the public.

We must urge the National Association of Securities Dealers to point out that it was organized for the purpose of self-regulation and that if the intention of the rule is merely to prevent excessive markups, that plainly it insist that it is competent enough to deal with this abuse.

The proposal of this rule now confronts the National Association of Securities Dealers with a serious situation, for the breakdown of the Association is inevitable if this rule is adopted, since it would demonstrate that there would no longer be any need for self-regulation.

Yours very truly,
STRAUSS BROS.

DEALER No. 7

John Nickerson, President of John Nickerson & Co., Inc., New York City, sent the following letter to the Investment Bankers Association of America, Chicago:

It is desirable for the good of the investment business to eliminate unreasonable profits on over-the-counter business, but before an attempt to eliminate unreasonable profits is made, what a fair profit is should be clearly defined.

What is a fair profit? No one can say what it is definitely until he is informed of the circumstances under which a given transaction has been executed. Whenever a dealer must do more than go to the market place where a free market exists to buy or sell a security, it is recognized that more than the regular Stock Exchange commission would be a fair commission.

This theory has been confirmed by the recent block sales of prominent securities on the New York Stock Exchange where commissions from one to three points have been given for the sale of well known corporations whose securities are listed on the Stock Exchange. These larger Stock Exchange commissions are recognized as fair because there is no voluntary current demand for common stocks and the demand must be created; the Securities and Exchange Commission has approved these larger commissions. If such larger commissions are reasonable for the very best known corporations merely because there is no current demand for them, what would be a reasonable commission for the execution of orders of the shares of many of the over-the-counter, little known obscure corporations where there is no demand for their securities and where the very identity of the corporation must be made known and conditions surrounding it explained before a demand for its securities may be expected?

There is a vast difference in the cost of completing different types of over-the-counter business. At one end of this great variety of business may be high grade bonds where blocks of $100,000 and more may be sold to one customer. In such a transaction a profit of ¼ of 1% might be considered liberal and even 1/16th might be acceptable. At the other end may be a transaction of 100 shares, 50 shares, 25 shares or even 10 shares of a stock that sells somewhere between $2 and $10 per share. In this group it is a problem to decide what is a fair commission to charge. To consummate such a transaction sometimes requires days and even weeks to locate a willing buyer or a willing seller to complete the transaction. One, two or more men might be devoting a considerable part of their time to the execution of the transaction and it may take days or weeks to complete one transaction. This type of business is the most difficult and, as well, the most costly business to do and it is in these lower priced securities in which most of the exorbitant percentagewise profits are supposed to be taken. Also, it is true that many of such transactions are executed by houses at an actual loss to them.

If the dealer should be forced to inform his customer the over-the-counter market (which in reality is the wholesale market) after he had established, by considerable work, interest in the transaction the chances are that the customer, accustomed to Stock Exchange commission, would be unwilling to allow a profit which would be commensurate with the cost of doing the business. It is well understood that when a dealer profit is known to the customer, it is usually considered too much whatever it may be, if it is any amount beyond the well known Stock Exchange commission.

To make such a rule, as proposed, would simply drive out of business a great number of small investment dealers and salesmen who devote their entire time to creating markets in inactive securities and great harm would be done to the stock and bondholders of these relatively obscure corporations, as the market previously available would disappear. It is more desirable to have a market for inac-

(Continued on page 536)

A Safe Haven For Investment Funds

Individual investors, trustees and other* fiduciaries interested in becoming acquainted with the Federally insured investment opportunities offered by savings and loan associations should write for current explanatory literature to the associations mentioned below. When doing so please mention the "Chronicle."

- **Atlanta Federal Savings & Loan Association**
  22 Marietta Street, Atlanta, Ga.—Write for free booklet, "A Safer and Better Plan."
- **Business Men's Federal Savings and Loan Association**
  608 Main Street, Cincinnati, Ohio.
- **Danielson Federal Savings and Loan Association**
  84 Main Street, Danielson, Conn.—Write for free booklet and information.
- **Equitable Savings and Loan Association**
  314 E. Wisconsin Avenue, Milwaukee, Wis.
- **First Federal Savings and Loan Association of Detroit**
  150 West Fort Street, Detroit, Mich.
- **First Federal Savings and Loan Association of St. Paul**
  350 Cedar Street, St. Paul, Minn.
- **First Federal Savings and Loan Association of Wewoka, Okla.**
- **Fletcher Avenue Saving and Loan Association**
  150 East Market Street, Indianapolis, Ind.
- **Fulton County Federal Savings & Loan Association**
  Ground Floor, Trust Co. of Georgia Building, Atlanta, Ga.
- **S. R. Gaynes & Co.**
  225 Broadway, New York, N. Y.—Write for booklet F.
- **Guaranty Savings and Loan Association**
  2004 Second Avenue, North, Birmingham, Ala.
- **Hinsdale Federal Savings and Loan Association**
  8 East Hinsdale Avenue, Hinsdale, Ill.
- **Northern Federal Savings and Loan Association**
  4th and Cedar, St. Paul, Minn.
- **Northwestern Federal Savings and Loan Association**
  823 Marquette Avenue, Minneapolis, Minn.
- **Oak Park Federal Savings & Loan Association**
  104 North Marion Street, Oak Park, Ill.—Write for booklet.
- **Olympic Savings and Loan Association**
  6201 West Cermak Road, Berwyn, Ill.—Write for detailed description.
- **Peoples Federal Savings and Loan Association**
  1700 West 21st Street, Chicago, Ill.
- **St. Paul Federal Savings & Loan Ass'n of Chicago**
  2116 West Cermak Road, Chicago.—Write for 105th Semi-Annual Report.
- **Twin City Federal Savings & Loan Association**
  Eighth and Marquette, Minneapolis, Minn.
- **Union Federal Savings and Loan Association**
  160 East Market Street, Indianapolis, Ind.

*Guardians, insurance companies, State, school and municipal sinking funds, firemen's, police and other pension funds, etc.

T. A. Buckner Dies Former Head of N. Y. Life

Thomas Aylette Buckner, former President and Chairman of the Board of the New York Life Insurance Co., died on Aug. 8 in St. Luke's Hospital, New York City. He was 77 years old. Mr. Buckner retired from active service with the New York Life at the end of 1941, after being associated with the insurance company for 62 years.

A native of Bloomington, Ill., Mr. Buckner was a son of Walker and Margaret Tully Buckner. As to the start of the son's business career, the New York "Herald Tribune" of Aug. 9 said:

"His father turned to selling insurance and eventually became general manager for the New York Life Insurance Company for three mid-Western states, with headquarters at Milwaukee, Wis. At 15 Mr. Buckner took a job in the office as office boy at $20 a month, all but $5 of which went for board and room.

"At 21 Mr. Buckner struck out for himself, having received instruction from experienced salesmen in Milwaukee. He went to Ottumwa, Iowa, where he sold small policies of a total value of $250,000 in the first year, an unusual achievement in those days. . . .

"In 1890, the late George W. Perkins, then inspector of New York Life agencies in Chicago, made him cashier at the Wichita, Kan., office.

"Thereafter Mr. Buckner's advance was steady. He succeeded to Mr. Perkins' post when the latter came to New York and followed his former chief here in 1898. In 1900 he became Fourth Vice-President and was made a director the following year. He assumed full charge of the agency force in 1903.

"Under Mr. Buckner's direction, the company's annual sale of policies grew from $200,000,000 to almost a billion dollars. . . .

"He was elected president in 1931 and five years later was promoted to the newly created post of chairman of the board.

"At that time the company had assets of more than $2,400,000,000 and 2,700,000 policies with a total value of $6,600,000,000 were in force. New insurance with a total value of $451,000,000 was issued in 1936.

"Mr. Buckner's 50th anniversary with the company was observed in 1930 with a special sales campaign in which new policies totaling $307,000,000 were sold in three months.

"On his 60th anniversary with the company, April 7, 1940, a testimonial bearing the signatures of 5,000 employees with the New York headquarters, 51 Madison Avenue, was presented to Mr. Buckner. Agents of the company also contributed a 'Memory Book' of 17 volumes, containing their personal messages.

"In 1941 Mr. Buckner retired as chairman of the board and became chairman of the finance committee. He was succeeded by George L. Harrison, who had been President of the Federal Reserve Bank of New York.

"Mr. Buckner's brother, Walker Buckner, who started with New York Life at the age of 14 eventually becoming Executive Vice-President, died in November, 1939. The other brother, Samuel O. Buckner, retired several years ago after 43 years with the company."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange announces the following weekly firm changes:

The privilege of Edgar Scott to act as alternate on the floor of the Stock Exchange for Moorhead C. Kennedy, Jr., Montgomery, Scott & Co., has been withdrawn.

Interest of the late Earle Dudley Butler in Putnam & Co., Hartford, Conn., ceased as of July 22.

SAFETY SINCE 1887

Not one dollar has been lost by any investor in shares of this institution in its 54 years of existence.

•

ASSETS

Jan. 1, 1937—Total Assets $349,645.28
Jan. 1, 1938—Total Assets $609,919.48
Jan. 1, 1939—Total Assets $1,026,069.31
Jan. 1, 1940—Total Assets $1,333,505.03
Jan. 1, 1941—Total Assets $1,809,241.85
Jan. 1, 1942—Total Assets $2,606,222.01
June 30, 1942—Total Assets $2,971,132.65

•

Safety Insured

UNION FEDERAL
SAVINGS AND LOAN ASS'N
INDIANAPOLIS, INDIANA

Current Dividend 3%

Statement of Condition JUNE 30, 1942

ASSETS

Cash on Hand and in Banks	$ 1,039,389.63
United States War Savings Bonds	100,000.00
Federal Home Loan Bank Stock	117,000.00
First Mortgage Loans	9,831,154.24
Loans on Passbooks and Certificates	28,984.22
Real Estate Subject to Redemption	33,316.68
Furniture and Equipment	9,694.29
Deferred Charges and Other Assets	10,893.83
	$11,170,432.89

LIABILITIES

Members' Savings and Investment Share Accounts	$ 9,776,399.64
Advance from Federal Home Loan Bank	600,000.00
Loans in Process	142,558.91
Payments by Borrowers for Future Taxes and Insurance	248,761.87
Other Liabilities	2,990.85
Reserves and Undivided Profits	399,721.61
	$11,170,432.89

Member Federal Home Loan Bank and Federal Savings and Loan Insurance Corporation

Inquiries from out-of-town investors invited.

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF DETROIT
150 W. FORT ST., DETROIT, MICH.
Michigan's Largest "Federal" Savings and Loan Ass'n

Paying 3% Currently on
INSURED SAVINGS & INVESTMENTS

•

PEOPLES FEDERAL
Savings and Loan Ass'n
1700 West 21st Street
CHICAGO
Assets over $1,000,000.00

HINSDALE FEDERAL
SAVINGS & LOAN ASSOCIATION
TELEPHONE 1776 HINSDALE, ILLINOIS

DOUBLE SAFETY

1. Insured by F. S. & L. I. C.
2. 88% of loan portfolio insured by F. H. A.

DEALER INQUIRIES INVITED

105th Semi-Annual Statement
June 30, 1942

ASSETS

First Mortgage Loans	$2,859,655.26
Secured Loans to Investors	12,306.81
Properties Sold on Contract	29,231.43
Real Estate Owned	15,648.42
Real Estate Subject to Redemption	16,396.45
Office Building	18,170.57
Furniture and Equipment	7,166.09
Other Assets	3,438.40
Stock in Federal Home Loan Bank	29,100.00
Accrued Interest on Investments	218.25
U. S. Government Bonds	90,300.00
Cash on Hand	309,087.33
	$3,390,719.01

LIABILITIES

Savings and Investment Share Accounts	$2,867,869.98
Advance from Federal Home Loan Bank	203,309.00
Accrued Dividend Payment	27,319.56
Loans in Process	77,592.02
Accounts Payable	8,467.86
Other Liabilities	1,625.41
Specific Reserve	4,320.46
General Reserve	170,078.18
Undivided Profit	30,136.54
	$3,390,719.01

Total Reserves, over $204,000.00
Current Dividend 3½%

We should be pleased to mail you our 105th Semi-Annual Report

ST. PAUL FEDERAL SAVINGS & LOAN ASS'N OF CHICAGO
2116 West Cermak Road, Chicago

The Status Of Savings And Building And Loan Associations

By MORTON BODFISH

Executive Vice-President United States Savings and Loan League

Four years of rising recovery in the savings and loan business culminating in genuine prosperity in 1941 made significant changes in the percentage distribution of balance sheet items in savings, building and loan associations. A comparison of the consolidated balance sheet for a representative group of such institutions (about 80% of total assets) as of Dec. 31, 1941 and as of Dec. 31, 1937, the beginning of unmistakable recovery in the business, is now possible through the release of the past year's-end statistics for member institutions of the Federal Home Loan Bank system. Such a comparison shows that cash position has been materially bettered, that percentage of first mortgage loans to total assets has bounded steadily upward while real estate owned has become a merely nominal factor on the balance sheet, that reserves have remained intact in spite of the drains upon them by liquidation of real estate owned, and that the temporary investment of funds by the Treasury and by the Home Owners' Loan Corporation has been substantially reduced by regular additions of private capital.

Morton Bodfish

No such elaborate analysis of the over-all picture in the savings and loan business was possible before the depression, so that comparisons with 10 or 15 years ago are impractical. With the advent of the Federal Home Loan Bank system, authorized by a statute enacted 10 years ago last month, however, the gathering of composite statistics on the business without lapse of an interminable amount of time eventually became a reality. The figures from 3,771 separate and distinct savings and loan institutions are reflected in the consolidated balance sheet as of Dec. 31, 1941. They have total assets of approximately $4,800,000,000.

First mortgage loans, at least 60% of their dollar volume representing new lending transactions of the past four years, account for 81.68% of total assets. At the end of 1937, the percentage was only 72.82%. That was when this group of institutions was saddled with 13.77% of assets in real estate owned, the balance sheet item which in the past four years has been whittled down by hard work and a better real estate market to 3.95%. Year after year in suggested policies to the managers of all institutions of this type, the executive council or board of directors of the United States Savings and Loan League, their national business organization, hammered away at the "dispose of your real estate" theme and the balance sheets show how that advice from the leadership within the business, emphasized by the rising real estate market of 1939-1941, has borne fruit. Curiously the item of real estate sold on contract usually representing a transition stage between real estate owned and entirely disposed of, has remained at about the same percentage in each of the balance sheets for the past four years. These contracts many of which are later turned into first mortgage loans represent about 3.62% of assets on the most recent consolidated balance sheet.

Likewise liquidity preachments of the leadership, in various United States League Committee reports, in Management Policy recommendations, and in convention addresses, have not fallen on deaf ears, the latest statistics show. Cash on hand and in banks represented 5.81 of association assets as of Dec. 31, 1941, whereas it was only 3.54% four years ago. Figures from a representative group of associations as at the close of 1935 show that cash was 3.34% of assets at that time. Obviously there has been a steady improvement in cash position each year since the depression depths were reached. This is somewhat of a new psychology in the savings and loan business which traditionally kept as large proportions of its funds as possible at work. The organization leadership has long insisted that the only way to face an unlimited national emergency of a war period was to be able to pay out money when people wanted it. The cash position in the business was thus probably stronger than at any time in savings, building and loan history when War actually came to America.

At the end of 1937, the United States Government, through the Treasury in some cases and through the Home Owners' Loan Corporation in others, was an investor in savings and loan associations to the extent of 7.13% of the liabilities side of the balance sheet. The program of temporary investment of government funds in these privately-owned and operated institutions was designed to get home financing facilities functioning to supply home owners and help stimulate home building. Anticipation was that five years after the first money was so invested it would begin to be repaid to the government, not more than 10% in any one year. True to expectation, private flow of funds has picked up enormously the past three or four years, and many institutions were glad to retire the government shares to make room for the new money from private investors and savers. Process of paying out the government investment was hastened two years ago when the extraordinary burden of the Defense program on the Federal treasury was cited by the President and some means of getting more cash suggested. Many associations paid off entirely, ahead of any planned schedule, the amount of their former government investments. Result was that as of Dec. 31, this past year U. S. Government investments in the

(Continued on page 533)

OAK PARK FEDERAL
SAVINGS & LOAN ASSOCIATION

All share accounts insured up to $5,000 by an agency of the Federal Government.

Assets Over $1,800,000

Write today for booklet explaining why Oak Park Federal is a most desirable place for your savings.

104 N. Marion St. Oak Park, Ill.
Phone Village 8790

FLETCHER AVENUE
SAVING AND LOAN ASS'N
Incorporated Aug. 29, 1890

Assets $9,813,990

Current Dividend Rate
3% per annum

State Chartered Not Insured

150 East Market Street
Indianapolis, Indiana

A Sound Investment for Trust Funds

Investment features:

SAFE—insured up to $5000
FREE from market fluctuation
TRUSTEE investments welcome
YOUR inquiry invited

BUSINESS MEN'S
Federal Savings and Loan Ass'n
608 Main Street
CINCINNATI
Current Assets . . . $1,621,216.33

Fletcher Avenue Saving & Loan Assoc. of Indianapolis

Fifty-two years ago when Shelby Street was known as Dillon Street, a group of neighbors living in the vicinity of Dillon Street and Fletcher Avenue completed their plans for the formation of the Fletcher Avenue Saving and Loan Association. On Aug. 30, 1890, this group of men, led by Nelson Yoke, incorporated this association.

In those days associations sold the money they had to lend at auction. This method caused some borrowers to pay more interest than others. Nelson Yoke, father of Charles R. Yoke, who is now President of the association, had served as director in several building and loan associations. He wished to form an organization which would gladly accept the smallest savings accounts and one which would lend home owners money at a more reasonable interest rate with the privilege of paying the mortgage in small weekly payments.

These ideas were incorporated in the new Fletcher Avenue Saving and Loan Association and, due largely to these fair principles, which have been constantly followed, it has grown to be the second largest association in the State of Indiana.

Business Men's Federal Reports Further Growth

Business Men's Federal Savings and Loan Association reports a substantial increase in the amount of mortgage loans on its books at the close of business June 30, 1942.

The increase from June 30, 1941, to June 30, 1942, amounts to $86,994. The total number of mortgage loans has increased 31; in other words, from 285 to 316. The number of savings accounts has increased from 1,043 to 1,077, which is considered quite substantial for the reason that the association have sold a very large amount of Defense and War Savings Bonds. While the number of accounts has increased, the dollar amount is substantially the same as a year ago. The reserve and undivided profits accounts have been credited with $16,000 in the past year.

The total assets of this association are $1,621,216.33.

The downtown location, between the Post Office and the Court House, being within close proximity to all hotels makes it an ideal location for out-of-town business.

STATEMENT OF CONDITION

FIRST FEDERAL

Savings and Loan Association

OF ST. PAUL

St. Paul, Minn. — 350 Cedar St.

as of June 30, 1942

ASSETS

First Mortgage Loans	$2,859,589.35
Loans on Passbooks and Certificates	20,056.47
Property Sold on Contract	35,276.07
Real Estate Owned	16,338.52
Investments and Securities	72,912.00
U. S. War Bonds $30,112.00	
Federal Home Loan Bank Stock 42,800.00	
Cash on Hand and in Banks	431,052.24
Equipment, less depreciation	9,362.78
Total Assets	**$3,444,587.43**

LIABILITIES & RESERVES

Savings and Investment Share Accts.	$3,007,917.30
Advances — Federal Home Loan Bank	199,780.00
Loans in Process	28,904.81
Reserve for Dividends Payable July 1, 1942.	40,968.59
Surplus and Reserves	167,016.73
Total Liabilities	**$3,444,587.43**

Our Dividend Rate Has Always Been 3%

Member — Federal Savings and Loan Insurance Corporation

Further Information Upon Request.

Michigan's Largest Federal

First Federal Savings and Loan Association of Detroit was chartered in 1933 by the United States Government through the Federal Home Loan Bank Board, and operates under supervision of and periodical examination by that Government agency. Since its organization First Federal has grown steadily and substantially—and is today Michigan's largest Federal Savings and Loan Association.

Directors are:

Paul W. Voorhies, Chairman, Voorhies, Long, Ryan & McNair, attorneys.

Hon. Wilbur M. Brucker, Clark, Klein, Brucker & Waples, attorneys.

Walter Gehrke, President.

John A. McIvor, J. A. McIvor Lumber Co.

Fred J. Robinson, Fred J. Robinson Lumber Co.

Jean T. Sheafor, Secretary-Treasurer Michigan Bell Telephone Co.

C. S. Vaughn, Vaughn-Bigelow Co., realtors.

Robert K. Vinton, The Vinton Corp., builders.

William C. Walz, President Ann Arbor Federal Savings and Loan Association, Ann Arbor, Mich.

A Story Behind The Name Of This Association

In the summer of 1889 the Rev. George Heldman, the pastor of St. Paul's Church, 22d Place and Hoyne Avenue, Chicago, called a meeting of the men of the scattered community (32 of them) and urged the formation of a building and loan association. This was accomplished, and as a recognition of the good father's foresight and labor the association took the name of his church, St. Paul's, even though there were folks of other denominations in the original group.

In 53 years the St. Paul Federal Savings and Loan Association of Chicago has maintained its office in the shadow of old St. Paul's Church. There are still on the books dozens of descendants of the families who joined in the first year, third and fourth generations.

The Federal Home Loan Bank System And Its Relation To The Savings And Loan Field

By J. A. WHITE

In the nine years and a half since the Federal Home Loan Bank system was started, the savings, building and loan associations and cooperative banks have acquired $50,000,000 of its capital stock. This is between a third and a fourth of the total $175,532,650 capital stock of the 12 regional banks which make up the system. The savings and loan institutions are thus co-owners with the Reconstruction Finance Corporation, to which the stock originally subscribed by the United States Government was transferred last year, a sum of $124,741,000. The investment of the savings and loan institutions was increased by some $4,000,000 in the last fiscal year, and has increased steadily each of the previous years.

Ownership of stock in the regional bank of its district, in an amount equivalent to at least 1% of its home mortgage loans outstanding, entitles a savings and loan institution to full membership in the system. There were 3,771 member institutions at the beginning of the year, 1942, and the number had increased to 3,815 by June 30.

Thus, the system comprises a majority of the savings and loan institutions in the country and about 80% of the assets of such institutions. It is adding a few new members, usually from the smaller savings and loan institutions, as each month passes.

Purpose of the Federal Home Loan Bank system is to be a reserve institution for home financing institutions, principally those locally owned and operated. When member associations have more loan demand than the funds flowing in from their investors will supply, they can turn to the Federal Home Loan Bank for a supplementary stream of funds. Likewise, when a heavy and unanticipated demand for repurchase of investors' shares comes along, the Federal Home Loan Bank is there to advance the needed cash with which the member association can pay out on the same schedule as investors customarily associate with that particular institution.

As of June 30, 1942, there were 1,826 associations—not quite half of the members—using some of their borrowing capacity at their respective regional Federal Home Loan Banks, borrowing a total of $192,644,936. The cumulative total which member associations have obtained from the Bank system in its nine and one-half years existence is approximately $1,000,000,000. The highest amount which has been outstanding at any one month end was $219,446,000, on Dec. 31, 1941. The largest number of institutions borrowing from the Bank system at the close of any fiscal year was 2,682 on June 30, 1938.

The Bank system is established under provisions of the Federal Home Loan Bank Act and is a pre-New Deal instrumentality designed for permanent service in rounding out the credit reserve structure of the Nation. Following the 19-year-old precedent of the Federal Reserve system (the Federal Home Loan Bank system was established in 1932) the system was decentralized so that it is composed of 12 autonomous regional banks, each serving a district of two or more States. Their aggregate assets were $311,721,000 on June 30. The size of the various banks has evolved in the first decade of the system's operation largely according to the use which savings and loan institutions in the district have found for their services. Largest of the 12 is the Federal Home Loan Bank of Chicago, whose district comprises Illinois and Wisconsin, and which has total assets of $43,000.000. Second in rank is that of New York which has $37,242,000 assets and which serves New York State and New Jersey. The Federal Home Loan Bank of Winston-Salem with $35,395,000 assets ranks third, serving one of the largest geographical districts in the system, i. e., Maryland, District of Columbia, Virginia, the Carolinas, Georgia, Florida, and Alabama. Rank of the other banks and their assets is as follows: Cincinnati, $31,952,000; Los Angeles, $26,060,000; Pittsburgh, $25,277,000; Boston, $25,082,000; Indianapolis, $23,840,000; Des Moines, $23,207,000; Little Rock, $15,217,000; Topeka, $13,145,000; Portland, $12,193,000.

Current lending rates among the banks on money advanced to member savings and loan associations range from 1½ to 3%. There is considerable variety among the different banks as to interest rates charged on various types of advances. All of the banks make long term advances for periods of 10 years with regular amortization and also short term advances, including non-collateralized loans. The 10 year loans are secured by the pledging of mortgages by the borrowing association.

As of June 30, there were pledged to the banks 126,605 individual home mortgages with a total face value of $323,075,351. These mortgages plus $1,125,900 worth of United States Government bonds secured advances totaling $140,143,951. The remaining dollar volume of advances outstanding, 27.3%, represents non-collateralized loans.

The 12 Federal Home Loan Banks have consistently made money and paid dividends on the stock owned by member associations and by the Government. During the nine and a half years since associations began to buy stock in this Bank system, they have received in dividends a total of $4,225,108; the United States Treasury has been paid $12,021,339 as a major stock holder in the Federal Home Loan Bank system; and the Reconstruction Finance Corporation since it took over the Treasury's stock has received $2,166,153.

Reserves have been steadily increased, according to provisions in the Federal Home Loan Bank Act. The 12 banks had a total surplus and undivided profits of $14,105,921, or 4.5% of total capital and liabilities as of June 30, 1942.

The system has outstanding consolidated debentures of varying terms in the amount of $91,500,000. Series outstanding on June 30 were a 2% issue, two ¾ of 1% shorter term issues, and a ⅞ of 1% issue. Through this device the banks have obtained all of the funds with which they have operated, since the operations of the system put the original capital completely to work.

The deposit function of the 12 Federal Home Loan Banks has been relatively little used in comparison with its lending facilities. There is, however, some $27,779,000 now deposited with the banks by their member associations. The sum represents funds which are surplus over and above the need for home loans in these associations' respective communities. The banks pay ½ of 1% on time deposits, except that three of them do not offer any return on such funds.

Security holdings of the banks, totaling $68,499,085 are $59,600,000 in excess of statutory requirements for liquidity. All are United States Government obligations or securities fully guaranteed by the United States, and they form a liquidity factor secondary to the $47,320,114 in cash in the 12 banks on June 30.

Such is the general position of the 12 Federal Home Loan Banks which constitute the savings and loan associations' reserve credit facilities. All are on a permanent self supporting basis, are staffed by competent experienced men, the majority of them with a savings and loan association background. Boards of Directors of each of the regional banks consist of eight representatives elected by the member associations in the district and four persons residing in the district and appointed as public interest directors by the Federal Home Loan Bank Administration in Washington.

"A Safer & Better Plan" For Investors & Trustees

The Atlanta Federal Savings & Loan Association, 22 Marietta Street, Atlanta, Ga., will be glad to send investors, trustees and other fiduciaries a copy of their free booklet, "A Safer and Better Plan," describing the advantages of investing in insured Federal Savings & Loan investments.

Twin City Federal Savings & Loan Association

Eighth And Marquette **Minneapolis, Minn.**

Comparative Financial Statement

As of June 30, 1942 and December 31, 1941

ASSETS

	June 30, 1942	*December* 31, 1941
First Mortgage Loans and Contracts	$15,321,423.86	$14,849,891.98
Loans Secured by Pledge of Accounts	15,566.65	26,675.51
Federal Home Loan Bank Stock	160,800.00	160,800.00
U. S. Government Bonds	327,464.57	189,389.57
Furniture and Fixtures	34,100.00	33,500.00
Real Estate Owned	36,951.08	79,146.25
Cash on Hand and in Banks	643,851.79	353.052.33
Total	$16,540,157.95	$15,692,455.64

LIABILITIES

	June 30, 1942	*December* 31, 1941
Savings Share Accounts	$13,798,799.79	$12,422,768.20
Investment Share Accounts	1,904,050.00	1,887,850.00
Advances from Federal Home Loan Bank	none	499,327.00
Reserves	369,107.09	324,240.70
Undivided Profits	235,396.26	208,349.06
Mortgage Loans in Process	225,652.63	345,002.02
Other Liabilities	7,152.18	4.918.66
Total	$16,540,157.95	$15,692,455.64

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UP-TOWN AFTER 3

THE MOVIES

All too often when the movies buy a best seller and make a picture from it the results are as different to the reading public as they are unrecognizable to the author. There have been cases where the movie was better than the book but these can be counted on the fingers of one hand. Among the candidates for as good as or better than the books on which they were based were, **"Grapes of Wrath," "Mrs. Miniver"** and **"The Stars Look Down."** To these can now be added Twentieth Century-Fox's treatment of Nevil Shute's book, **"The Pied Piper."** The novel itself was exciting enough but with Irving Pichel's fine direction, Nunally Johnson's fine writing and Monty Woolley's grand acting, the movie becomes one of the pictures of the year. An aged Englishman, on a holiday in southern France, is caught by the war and starts to pack for home. A distracted mother prevails upon him to take her two small children with him. Woolley, the irascible bearded Britisher, detests children, but agrees. On the trek north he gradually accumulates other children who have either seen their parents killed by the onrushing Nazi's or been separated from them. How the pitiful group is caught just as it is climbing aboard a small fishing boat and how it finally gets away is something you will have to see for yourself. While the story deals with a grim subject it has its light moments. Woolley's pedantic stand on geography is full of chuckles. His discomfiture and horrified amazement as the party grows on its stumbling trip north is something to see. Woolley's characterization as Mr. Howard entitles him to whatever Oscar's Hollywood can offer. Roddy McDougall, one of the children, plays the part of the small English lad with understanding and without annoying precociousness. Anne Baxter, as Nicole, the French girl, who takes over the party and leads it to the Channel, is not only very pretty but well suited for the role. Otto Preminger, as Nazi Major Diessen, who captures Woolley and accuses him of being a British agent, does well in an unsympathetic role. **"The Pied Piper,"** a fine movie, is heartily recommended. . . . **"A-Haunting We Will Go"** is the first feature length Laurel & Hardy comedy made by Twentieth Century-Fox. It isn't a movie you need to go out of your way to see but if you're looking for chuckles, it has its points. Certainly the kids will go for it with a whoop. Laurel & Hardy do the usual crazy things in their usual crazy fashion. They get mixed up with a gang when they agree to accompany a coffin on a train trip. On the same train is a magician with an identical coffin as a prop. Naturally the two comedians get the coffins mixed up. They then get jobs with the magician and proceed to break up his act. It's slapstick all the way. Still it has its moments.

AROUND THE TOWN

For a bit of 19th Century Russian atmosphere try New York's oldest Russian restaurant, the **Russian Bear** (645 Lexington Ave.). According to owner, Matislaw Tarwid, through his press agent, Rene Reeves (a dead ringer for Desi Arnez), the present place is a counterpart of the original Russian Bear, established in St. Petersburg, Russia, back in 1909, by Antoin Tarwid, father of the present owner. Even the decorations, fixtures, up to and including room dimensions, are supposed to have been faithfully reproduced. How factual this bit of information is I have no way of knowing for while the architectual data may be the basis for the present place certain American additions have been made no Russian place ever had, booths near the bar and even a juke box. The food is authentic enough, however. On the menu you will find jaw-breaking names as Zrazi Polonaise, Boyarskiye Bitochki (chopped meat balls in sour cream) and something called Chakhobkhibili a la Tiflis, which is baked spring chicken in a spicy sauce served en casserole. In case these names frighten you the waiters or waitresses will tell you what's in them or the menu itself explains the ingredients. Of course, being a Russian restaurant, vodka is almost a must. Most people here seem to drink it straight but if you don't want it that way they have a list of about 20 cocktails in which vodka is used. A Russian orchestra (the violinist is good) plays all the time. Prices range from about $1 to whatever else you want to spend. Cocktails are approximately 50 cents.

Anyhow, It's A Good Story

It was about 5 o'clock in the afternoon of a dull day when the phone rang in the customer room in the main office of **Merrill Lynch**, etc., etc. Everybody having gone for the day a tired customer's man picked it up. "Merrill Lynch," he said in one of those small tired voices. "Please repeat that," said the voice at the other end. The customer's man did. "This," added the voice sharply, "is Mr. Pierce," and hung up. The customer's man, a bit worried, decided discretion the better part of valor and didn't tell anybody about it. Two days later the firm's chief operator was called into one of the partner's rooms, to find an elderly gray-haired, bespectacled gentleman behind the desk. "I am Mr. Pierce," said the gentleman. "In the future," he added, in a crisp decisive voice, "remember the firm name to be given when answering phones is, **Merrill Lynch, PIERCE, Fenner & Beane.**" The girl left in a daze.

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Investment Trusts

(Continued from page 527)

go out of the market forever, and those remaining outstanding would be in a much stronger position.

"Another proposal would permit companies with debt to deflect some part of their earnings from the tax collector to the creditors. Again, the credit position of companies would be improved.

"These and many other developments suggest that, while the field of individual taxation remains for further exploitation, the long road of heavier and yet heavier taxation upon corporations has about come to the point of turning the other way."—From the Aug. 5 issue of Lord, Abbett's *Union Dealer.*

"With municipal bonds practically at their lows in yield and highs in price for 1942, it seems only reasonable to assume that they will prove vulnerable whenever the situation assumes aspects that cause the numerous and important unfavorable factors to be given emphasis (though individual issues will retain particular advantages). Regardless of minor fluctuations, there seems little prospect of any appreciable rise from current levels; on the contrary, there is reason to look for eventually lower levels. While this is a specialized field of investment, and state and municipal bonds are usually held for particular reasons, the import of the predominance of unfavorable factors deserves careful consideration by investors, especially those of institutional type."—From the conclusion of an article, "Unfavorable Factors Cloud Municipal Bond Outlook," in the Aug. 6 issue of National Securities & Research Corp.'s *Investment Timing Service.*

* * *

Investment Company Briefs

The Keystone Corporation is out with a new folder, "Classes of Securities," which represents the last word in the ten-year development of its logical presentation of Keystone Custodian Funds. The folder is a simple, handsome job in which three multi-color charts tell most of the story.

* * *

National Securities & Research Corp. reports the following portfolio changes in its National Securities Series and First Mutual Trust Fund during July. Additions: Cessna Aircraft; Diamond T Motor Car, Erie Railroad, Irving Air Chute, Southern Railway, Continental Can. Eliminations: Bethlehem Steel, International Harvester, International Paper, Montgomery Ward, Westinghouse Electric, Youngstown Steel Door, Texas & Pacific "C" 5s 1979.

This sponsor reports sales of National Securities Series and First Mutual Trust Fund during July, 1942 at 92% above the same month last year.

* * *

Lord, Abbett has two new folders on Union Trusteed Funds off the press. One is a composite summary of all the funds with figures and data brought up to date. The other is a to-the-point presentation of Union Bond Fund "C" and is titled, "You Can Get Good Investment Income!"

* * *

"An Illogical Market Provides A Logical Opportunity" is the caption to a recent folder published by Hare's, Ltd. It makes the point that, statistically, fire insurance stocks are cheaper than they have been for years. To quote from the folder, "As of Dec. 31, 1941 the aggregate Liquidating Value of the (21 leading fire insurance) companies was 3% above the 1929 year-end figure and Premiums Written in 1941 were 6% greater than during 1929, but the market index is currently 60% below the 1929 high."

* * *

The current issue of the New York Stocks, Inc. investment holding list contains in addition to the usual information an interesting tabulation comparing the performance of the various Series with the Dow-Jones Averages for two recent periods. In the longer period eleven out of the sixteen industrial series outperformed both the Industrial and the Railroad Averages.

A folder listing the Aug. 1, 1942 investment holdings of Manhattan Bond Fund, Inc. also sets forth the historical record of distributions made to shareholders. Ordinary distributions (from bond interest) during the past twelve months were equal to 6% of the Aug. 1 offering price. Including extraordinary distributions (from realized security profits), the total distributions were equal to 7.4% of the Aug. 1 offering price.

* * *

The Aug. 6 issue of Calvin Bullock's *Bulletin* comments on the ten-year growth record of Dividend Shares. More than 40,000 investors own Dividend Shares today. Assets of the company total more than $33,000,000. In the past ten historic years, dividends to investors have been paid regularly in the aggregate amount of $19,333,939.74, of which $7,526,850.84 was from profits realized from sales of securities owned by the company.

Purchases of Dividend Shares by investors for the first six months of 1942 were over 25% greater, in dollar volume, than for the first six months of last year. In July of this year, purchases of Dividend Shares were over 70% greater, in dollar volume, than for the same month last year.

Our Reporter On "Governments"

By S. F. PORTER

The August financing is over. . . . The Treasury has raised all the cash it needs for this month by resort to an almost bewildering variety of borrowing moves—war bonds, discount bills, certificates of indebtedness, "taps". . . . The job has been done well, handled with magnificent sophistication by the authorities, has been finished in a significantly short time. . . . At this writing, the books on the tap 2½s still are open and the Victory Fund Committees in the 12 Federal Reserve districts are working day and night to bring in new subscribers to these long-term obligations. . . . Comments on the total to be brought in, therefore, must be vague but all indications are the amount will be above the billion mark—in other words, far above the May aggregate. . . . The insurance companies naturally have been subscribing in largest amounts. . . . Savings banks have turned in a better record than last time. . . . Hard-to-get investors—such as trust funds, corporations, estates, etc. —have been reached in greater numbers by the committees. . . . It has been a good job all around and now the time has come to appraise in calm manner the effectiveness of the Treasury's present war financing policy. . . .

Everything favorable that can be said has been said about the way Secretary Morgenthau is managing his Herculean war financing task. . . . The "proof is in the pudding" and the fact is the Treasury is getting the money it needs with a minimum amount of disturbance to the price level and with a maximum degree of efficiency. . . . Efficiency, that is, if we accept at the start the Secretary's theory that month-to-month borrowings are preferable to the now-and-then huge financings of the first World War. . . .

But the point is more and more experts are not accepting that premise. . . . The criticisms are that (1) the offerings are coming too fast; (2) the rapidity with which the financings are coming is working against the committees and other volunteers trying to build up a broad demand for Government bonds; (3) not enough time is allowed to create the "ballyhoo" necessary to spread Government bonds to every corner of the land; (4) the Government list is becoming too unwieldy, too long and the job is not anywhere near completed. . . .

One story—coming from informed sources—is that pressure is growing at the Treasury for a return to the quarterly borrowing system of the 1917-19 period. . . . In late September or possibly in October, an issue of $5,000,000,000 or maybe $10,000,000,000 bonds may be offered to any and all takers, to banks and insurance companies, individuals and corporations. . . . The issue wouldn't be a substitute for war bonds or a substitute for the short-term financings needed from time to time. . . . But it would take the place of taps now, 2s next month, 2⅛s the month after, etc., etc. . . .

The report is not confirmed but it persists. . . . The logic behind the move is obvious . . . If the Treasury decides to try this program, it can enlist dealers and financial experts in every city and town right now in a preliminary build-up campaign. . . . The demand for the bonds to come can be stimulated long before the issue actually is tendered. . . . The committees will know what's coming, when it's coming, how big the loan is going to be, what the time-limit on subscriptions is. . . . They can get to work building buying interest just the way investment bankers get to work creating investor interest for new corporate issues (long before the day of offering comes, as you know). . . .

It makes sense. . . . The program has powerful support. . . . So remember this first report and look for a change in war financing policy in the comparatively new future. . . .

(This last sentence is guess-work pure and simple, but in Wall Street, the feeling is that if this program is tried, chances are the maturity of the new bonds will be in the 10-15 year bracket to make them attractive to banks as well as to other conservative investors. . . . And marketability and negotiability will be two necessary features. . . .)

THE Fs AND Gs

And now to another subject—outside of the taps and the certificates, for it is presumed you've been hearing and reading plenty about the latter in recent days. . . . And that subject is the attractiveness of the Fs and Gs. . . .

If you're in a position to buy up to $100,000 Government bonds now and are wondering what issue to buy, the answer is simple. . . . Buy the Fs and Gs, the war bonds due in 12 years which yield 2.5% on a riskless basis. . . . Buy them to the limit you can which —under the change in rules announced July 1—is $100,000 in any calendar year. . . .

There's no bond outstanding in the open market that compares with these in attractiveness. . . . There's no way to get a yield of 2.5% for so short a maturity except through purchases of these war bonds, designed for the wealthier individuals and for corporations in the U. S. . . . Consider, for instance, the 2.08%

(Continued on page 536)

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Savs.-Loan Activity In First Half 1942

While there was some increase in loans for the purchase of existing homes, the curtailment of new construction was chiefly responsible for a decrease of nearly 19% in the total home financing activities of savings and loan associations in the first six months of 1942, as compared with the first half of 1941, the Federal Home Loan Bank Administration reports. Home financing by these institutions amounted to $531,807,000 in the first half of this year, a decrease of $121,349,000 from the previous January-June figure, it was announced.

For 10 months now the trend in new loans has been downward, with the greatest drop noted during the first quarter of this year. Although continuing to decline through June, the reduction of 8% in the index of lending activity during the past three-month period represented a leveling off from the 21% curtailment in the preceding quarter, after allowance for normal seasonal variations.

The dearth of construction loans continued as the primary cause for decreases in total lending. The new building boom, which was in full swing as late as July, 1941, was soon checked as the demands of war production made materials for new home construction increasingly scarce.

With new dwellings not often available, home seekers turned to existing houses. Loans granted for home purchases rose to $266,229,000, or 50% of all loans made by the thrift and home-financing institutions, the report showed. In the first six months of 1941 such loans amounted to $258,961,000, or only 39% of total lending.

Loans for new construction amounted to $119,393,000, or 22% of the half year's total. This compared with $210,263,000 for the first six months of 1941, or 32% of the home financing total for that period.

Geographically, the decline in lending volume by associations varied widely. The $47,768,000 in lending by all associations in the area served by the Federal Home Loan Bank of Pittsburgh (Pennsylvania, West Virginia and Delaware) represented a reduction of only 6.8% from this district's home financing total for the first six months of 1941.

The volume of loans by all associations in June, $94,095,000, was a drop of only 1% from May, but constituted a decrease of nearly 30% from the figure of $133,640,000 for June, 1941. The savings and loan associations granted loans for the month totaling $15,930,000 for new construction—down 64% from the corresponding month last year—and $52,112,000 for home purchases.

The 3,800 member savings and loan associations of the Federal Home Loan Bank System loaned $448,603,000, or 84% of the total for all associations for the first half of 1942, including $107,336,000 for new construction and $215,433,000 for home purchases.

The Status Of Savings And Building And Loan Associations

(Continued from page 530)

associations were down to 4.08% of total capital and liabilities.

Private repurchasable shares, the money of savers on the systematic plan and of lump sum investors, constituted by that time 71.2% of the dollar volume on the liabilities side. Two or three years of prosperity dimensions in the inflow of investments and savings, and of merely normal outgo have brought hundreds of thousands of new investors to the doors of the associations to replace Uncle Sam whose dollars were chiefly valuable to the institutions before the public had rediscovered its pre-depression faith in a locally-managed thrift and home financing institution. Private repurchasable shares in 1937 were 63.59% of liabilities and capital.

The voluminous inflow from the public is also responsible for the fact that advances from the Federal Home Loan Bank system account for only 4.54% of this side of the balance sheet as compared with 5.59% four years ago. The bank system is permanently established to serve the institutions when their own available funds do not measure up to the demand for loans which they would like to satisfy, but the present is a down period in that need, as compared with four years ago. Member institutions of the bank system can borrow up to 12 times the capital stock which they own in the district Federal Home Loan Bank, and in most cases this borrowing power is equivalent to 50% of their share capital.

Reserves—specific, general and undivided profits—were 7.03% of liabilities in the consolidated balance sheet of Dec. 31. Here again leadership within the business, particularly from the United States League through committees, through official recommendations of its governing bodies, through hints over the business conference table, has never let up on the necessity for strengthening reserves. Some of the institutions have grown rapidly in the past few years and keeping reserve percentages up has been a problem. Others have had to write off part of the value of real estate disposed of, because in numerous instances in hundred of localities there has been no such thing as getting the price for aging properties which appraisers once thought they were worth. Despite these obstacles, the reserve percentage today is within 42/100's of 1% of where it was at the end of 1937.

This over-all picture of the savings, building and loan association system of the country is reassuring. There are localities, even entire Federal Home Loan Bank districts, where the balance sheet item percentages are substantially up or down from the average. Recovery and forward pressing of the institutions in this business have not been so notable in some areas as in others, but by and large the unmistakable version of their story is that these institutions have managed to put their depression experiences almost entirely behind them, and to make definite strides not only in recovering their former $9,000,000,000 position in the financial world, but also in strengthening themselves for the war emergency, which is after all the main consideration regarding them at the present time.

Percentage distribution of balance-sheet items for all savings, building and loan members of Federal Home Loan Bank System

ASSETS	Dec. 31, '41	Dec. 31, '37
First mortgage loans	81.68	72.82
Junior mortgage liens	.06	.17
Other loans (including share loans)	.62	.88
Real estate sold on contract	3.62	3.61
Real estate owned	3.95	13.77
Federal Home Loan Bank st	.99	.96
Other investments	2.01	2.61
Cash on hand and in banks	5.81	3.54
Office building	.98	1.18
Furniture and fixtures	.11	.10
Other Assets	.17	.36
Total Assets	100.00	100.00

CAPITAL & LIABILITIES	Dec. 31, 41	Dec. 31, '37
U. S. Gov. investments	4.08	7.13
Private repurchasable shs	71.20	63.59
Mortgage-pledged shares	2.73	5.77
Deposits and investment certificates	6.91	7.44
Advances from FHLB	4.54	5.59
Other borrowed money	.45	.50
Loans in process	1.39	.63
Advance payments by borrowers	.37	
Other liabilities	.43	1.19
Capital or permanent res.	.55	.71
Deferred credits to future operations	.34	
Specific reserves	.17	.69
General reserves	4.41	4.87
Bonus on shares	.01	
Undivided profits	2.42	1.89
Total Capital & Liabilities	100.00	100.00

Result Of Treasury Bill Offering

Secretary of the Treasury Henry Morgenthau Jr. announced on Aug. 10 that the tenders for $350,000,000, or thereabouts, of 91-day Treasury bills dated Aug. 12 and maturing Nov. 12, which were offered on Aug. 7, were opened on Aug. 10 at the Federal Reserve Banks. The details of this issue are as follows:

Total applied for—$594,007,000.

Total accepted—$350,648,000.

Range of accepted bids (excepting three tenders totaling $100,000):

High—99.925, equivalent rate approximately 0.293%.

Low—99.904, equivalent rate approximately 0.376%.

Average price—99.905, equivalent rate approximately 0.372%.

(51% of the amount bid for at the low price was accepted.

There with a maturity of a similar issue of bills on Aug. 12 in amount of $250,692,000.

ACCOUNTS INSURED UP TO $5,000

Latest Semi-Annual Dividend AT RATE OF 3½% PER ANNUM

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A Non-Speculative Investment Legal for Trust Funds in many states

- Assets over $5,000,000. Surplus and reserves over $500,000

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GUARANTY Savings and Loan Association
2004 Second Avenue, North Birmingham, Alabama

4% for YOUR FUNDS — with INSURED SAFETY
(Current rate)

STATEMENT OF CONDITION—May 31, 1942

ASSETS

First Real Estate Mortgages		$3,322,600.64
Cash on Hand and in Banks	$229,615.39	
F. H. A. Loans in Process of Sale	149,643.83	
United States Government Obligations	10,200.00	389,459.22
Stock in Federal Home Loan Bank		66,700.00
Association's Office Building (Valued at $115,000.00)		80,391.61
Furniture and Fixtures and Equipment		10,000.00
Other Assets		14,541.50
		$3,883,692.97

LIABILITIES AND RESERVES

Members' Share Accounts	$2,593,255.14
Mortgage on Office Building	33,250.00
Advances from Federal Home Loan Bank	800,000.00
Loans in Process	373,463.34
Other Liabilities	5,552.34
Reserves and Undivided Profits	78,172.15
	$3,883,692.97

STATEMENT OF INCOME AND EXPENSE FOR YEAR ENDED MAY 31, 1942

Gross Income for Period	$195,905.45
Total Operating Expense	74,862.26
Net Income	$121,043.19

DISTRIBUTION OF NET INCOME

Reserves	$37,500.00	
Dividends	75,972.52	
Undivided Profits	7,570.67	$121,043.19

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OLYMPIC SAVINGS & LOAN ASSOCIATION
6201 W. Cermak Road Berwyn, Illinois
R. R. NOVOTNY, *Secretary-Treasurer* (A Suburb of Chicago)

Calendar of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern Standard Time as per rule 930(b).

Offerings will rarely be made before the day following.

SATURDAY, AUGUST 15

INVESTORS MUTUAL, INC.

Investors Mutual, Inc., filed a registration statement with the SEC for 1,500,000 shares of special capital stock, no par value, of an aggregate offering price of $13,243,362

Address—200 Roanoke Building, Minneapolis, Minn.

Business—Investment trust

Underwriting—Investors Syndicate, 200 Roanoke Building, Minneapolis, Minn., is underwriter of the securities registered

Offering—At market

Proceeds—For investment

Registration Statement No. 2-5028. Form A-2 (7-27-42)

THURSDAY, AUG. 20

NU-ENAMEL CORPORATION

Nu-Enamel Corporation filed a registration statement with the SEC for 106,500 shares of common stock, $1 par value

Address—8 South Michigan Ave., Chicago

Business—The company is engaged in the distribution and sale of enamels, paints, varnishes, linoleum finish, stains, polish and kindred lines, which are principally distributed under the trade name "Nu-Enamel." The products sold by the company are manufactured by Armstrong Paint & Varnish Works, of Chicago, under contract in accordance with the company's formulae and specifications

Underwriting—Floyd D. Cerf Co. is the principal underwriter.

Offering—The principal underwriter is granted the option, until close of business Dec. 31, 1942, to purchase at $1.50 per share all or any part of 72,500 shares of common stock of the company from C. L. Lloyd and all or any part of 34,000 shares from Gladys Lloyd. There is no firm commitment to purchase any of said shares. The principal underwriter has agreed to pay a finder's fee to American Industries Corp., Detroit, Mich., in the amount of 5 cents for each share of common stock purchased by the principal underwriter from the selling stockholders. Offering price to the public will be supplied by amendment

Proceeds—The shares to be offered are already issued and proceeds will go to the individual sellers of the shares

Registration Statement No. 2-5029. Form A-2. (8-1-42)

GENERAL ELECTRIC CONTRIBUTORY PENSION TRUST

General Electric Contributory Pension Trust (W. R. Burrows, I. D. LeFevre, J. W. Lewis, R. C. Muir, D. E. Peck, W. W. Trench, trustees), has filed a registration statement with SEC for $100,000 (estimated amount of employee contributions prior to Oct. 1, 1943.)

Address—No. 1 River Road, Schenectady, N. Y.

Business—Investing the funds of the trust which are received from participants and from the company. Participation in the trust is limited to salaried employes entering the service of the company on and after Jan. 1, 1936 and receiving in excess of $3,000 per year

Underwriting—No underwriters

Offering—Interests of employe participants in pension trust

Proceeds—All of said funds are to be invested by the trustees, and the income thereon allowed to accumulate, for the purpose of making pension payments therefrom to participating employes upon their retirement

Registration Statement No. 2-5031. Form A-1. (8-1-42)

HOLTZER-CABOT ELECTRIC CO.

Holtzer-Cabot Electric Co. filed a registration statement with the SEC for 3,250 shares of 5% cumulative preferred stock, par $100 per share, and 100,000 shares of common stock, par $5 per share

Address—125 Amory St., Boston, Mass.

Business — Business conducted by the company falls into two classifications: the manufacture of electric motors and generators and the manufacture of various types of electric signal equipment.

Underwriting—E. H. Rollins & Sons, Inc. is the principal underwriter for the common shares

Offering—The company is controlled by the Gamewell Company. The securities of the company owned by Gamewell at date of prospectus consist of 8,250 shares of common stock, par value $100 per share, being all of the stock of the Holtzer-Cabot Company outstanding on same date. Upon consummation of a proposed recapitalization plan the outstanding securities of the company will consist of 3,250 shares of 5% cumulative preferred stock, par $100 per share, and 100,000 shares of common stock, par value $5 per share, all owned by the Gamewell Company. The underwriter has entered into an agreement to purchase from Gamewell at a price of $9 per share, the 100,000 shares of common stock. The company has been advised by the underwriter that the latter has entered into an agreement with a single purchaser to sell all the common stock to such purchaser, for an aggregate price of $1,050,000 or $10.50 per share. The registrant company has been advised by Gamewell that although the latter has no agreement with respect to the proposed sale of the preferred stock, Gamewell proposes concurrently with the sale of the common by the underwriter to the single purchaser referred to, to sell all of the preferred stock to the same purchaser for an aggregate sale price of $325,000 or $100 per share upon the representation by purchaser that it is purchasing such preferred stock for its own account for investment and not with any present intention of distributing it. If purchaser subsequently should determine to made distribution of any of such securities, company will file a post-effective amendment stating such terms

Proceeds—All the proceeds from sale will be received by the Gamewell Company.

Registration Statement No. 2-5030. Form S-2. (8-1-42)

Holtzer-Cabot Electric Co. filed on Aug. 10 an amendment to its registration statement in which it changed the registration, as amended, to cover 8,250 shares of common stock, par $100 per share. According to the amended statement E. H. Rollins & Sons, Inc., underwriter, will purchase from Gamewell Company, which owns all of the stock outstanding, the 8,250 shares of common for an aggregate purchase price of $1,225,000. The Gamewell Company will receive all of the proceeds from the sale of the shares which are already issued and outstanding. The H-C Company has been advised by the underwriter that the latter has entered into an agreement with a single purchaser to sell all of the common stock to such purchaser, after the registration statement becomes effective, for an aggregate price of $1,375,000, upon the terms and subject to the conditions set forth in the agreement, one of which being a representation by such purchaser that it is purchasing such common stock for its own account for investment and not with any present intention of distributing it. If the purchaser should subsequently determine to make a distribution of part or all of such securities, the H-C Company will file a post-effectment amendment disclosing the terms of such distribution

MONDAY, AUG. 24

POTOMAC ELECTRIC POWER CO.

Potomac Electric Power Co. filed a registration statement with SEC for $5,000,000 first mortgage bonds, 3¼% series, due Aug. 1, 1977

Address—Potomac Electric Power Company Building, 929 E Street, N.W., Washington, D. C.

Business—The company is part of the North American Co. holding company system. The company is, and intends to continue to be, principally engaged in the generation, transmission, distribution, and sale of electric energy in the District of Columbia and in a limited contiguous territory, largely suburban and rural, in Maryland, and interchanges electric energy with a neighboring utility system

Underwriting—No firm commitment to purchase the $5,000,000 face amount of these bonds has been made. As soon as practicable after the registration statement has become effective, the company, pursuant to Rule U-50 of the SEC proposes publicly to invite sealed written proposals for the purchase of such securities

Offering—The names of the underwriters and the offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds will become part of the company's general funds and will be used to increase company's generating capacity and other fixed capital expenditures. In June 1942 company received $3,000,000 toward such purposes from the sale of 30,000 shares of its common stock. The company's fixed capital expenditures for 1942 are estimated at $8,691,000. Substantial further expenditures for such purposes will be incurred in 1943. The more important include installation of turbogenerator units and related equipment

Registration Statement No. 2-5032. Form A-2. (8-5-42)

J. D. GILLESPIE, trustee for Cleo George

J. D. Gillespie, trustee for Cleo George, has registered with the SEC certificates of deposit in trust of direct obligations or obligations guaranteed as to principal and interest by the United States, deposited by J. D. Gillespie, trustee, with Mercantile National Bank, Dallas, Texas. Number of certificates of series A is unknown, but aggregate amount is not to exceed $1,500,000.

Address—Gulf States Building, Dallas, Texas.

Business—Investment trust.

Underwriting—Sponsored by J. D. Gillespie, trustee, depositor

Offering—To be sold only to banks at face value

Proceeds—For investment.

Registration Statement No. 2-5033. Form C-1. (8-5-42)

J. D. GILLESPIE, trustee for Cleo George

J. D. Gillespie, trustee for Cleo George, has registered with the SEC certificates of deposit in trust of United States Government direct or guaranteed obligations deposited by J. D. Gillespie with the Mercantile National Bank, Dallas, Texas. Number of certificates of Series B to be issued unknown, but aggregate amount not to exceed $250,000

Address—Gulf States Building, Dallas, Texas.

Business—Investment trust.

Underwriting—Sponsored by depositor.

Offering—At face value

Proceeds—For investment.

Registration Statement No. 2-5034. Form C-1. (8-5-42)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

CALIFORNIA UNION INSURANCE CO.

California Union Insurance Co. filed a registration statement with the SEC for 29,659 shares common stock, $10 par value

Address—San Francisco, Calif.

Business—Engaged in the underwriting of fire, automobile and other forms of insurance

Underwriting—Paul H. Watson is named principal underwriter; Don B. Wentworth may be an underwriter

Offering—The common stock registered will be offered to the public at a price of $22 per share

Proceeds will be used for additions to capital and surplus

Registration Statement No. 2-4992. Form A-1 (4-30-42 San Francisco)

Registration effective 1 p.m. ESWT on June 6, 1942.

CAMILLA CANADIAN MINING CORP., LTD.

Camilla Canadian Mining Corp., Ltd. filed a registration statement with the SEC covering 500,000 shares of capital stock, par value $1 per share

Address—Toronto, Ont.

Business—Mining and milling

Underwriting—Enyart Van Camp & Co., Chicago, underwriter

Offering—Offering price is 25 cents per share, U. S. funds

Purpose—For development, exploration, equipment, milling plant and working capital

Registration Statement No. 2-5013. Form S-3. (6-15-42)

Amendment filed July 2, 1942, to defer effective date

Hearing on suspension, scheduled for July 22 postponed to Aug. 10, 1942.

CENTRAL MAINE POWER CO.

Central Maine Power Co. filed a registration statement with SEC for $14,500,000 first and general mortgage bonds, Series M, maturing July 1, 1972; $5,000,000 ten-year serial notes, maturing serially on July 1 from 1943 to 1952, and 261,910 shares of common stock, par value $10 per share.

Address—9 Green Street, Augusta, Maine

Business—Company is an operating public utility and engages in the electric, gas and water business, entirely within the State of Maine

Underwriting—The bonds and the notes will be sold under the competitive bidding rule of the Commission. Names of underwriters and amounts and offering price to public will be supplied by amendment

Offering—Public offering price of the bonds and notes will be supplied by amendment. The 261,910 shares of common are first to be offered to the holders of the company's outstanding common stock and 6% preferred stock for subscription at $10 per share in accordance with their preemptive rights. New England Public Service Co. has subscribed for and agreed to take the 261,910 shares, less any shares as may be subscribed for by stockholders, and to pay therefor in cash at $10 per share provided the proposed merger becomes effective

Proceeds—Statement says that prior to the issue of the securities now registered, Cumberland County Power & Light Co., a public utility incorporated in Maine in 1909, will be merged into the company and Central Maine will thereupon acquire, pursuant to an agreement of merger, the business and all the rights, powers, etc., of Cumberland. After the merger has become effective, the business of the company will include also the business, franchises and properties of Cumberland, the separate existence of which will have ceased

Net proceeds from the financing in accordance with the merger plan recently filed with the commission will be used as follows:

Net proceeds of the series M bonds will be used to pay principal and premium in the redemption at 105% on Oct. 1, 1942, of $1,494,000 face amount of first mortgage, 4% series, due 1960, of Cumberland Power, $1,538,060; to pay principal and premium in the redemption at 105½% on a date in 1942 to be announced of $9,275,000 face amount first mortgage bonds, 3½% series, due 1966 of Cumberland County $9,784,348 and to pay bank loans made by the company which were incurred for the purchase and construction of facilities $2,650,000.

Net proceeds of the serial notes and the common stock will be used to pay par and premium in the redemption on a date to be fixed in 1942 of an unspecifed number of shares of 6% preferred stock and an unspecified number of shares of 5½% preferred stock of Cumberland County at 130% and 110%, respectively, all of which shares are to be called for redemption by Cumberland County prior to the proposed merger and converted under the agreement of merger into an obligation of the company to deposit the redemption price thereof in trust for the holders of such shares. The amount to be utilized in such redemption will be supplied by amendment.

Additional net proceeds from the sale of serial notes and common stock will be used to acquire 300 shares of the common stock and $6,000 face amount of 5% debentures of Aug. 1, 1936, due Aug. 1, 1956, of Nepsco Services, Inc., and 10 shares of common of Nepsco Appliance Finance Corp. $9,100 and to acquire all of the 650 outstanding shares of the no par capital stock of New England Pole & Treating Co. $110,000.

Balance of net proceeds of the series M bonds, the serial notes and common stock will be used to redeem at $120 per share or otherwise retire on or before Oct. 1, 1942, an unspecified number of shares of 7% preferred stock of the company and for the purchase and construction of facilities for the carrying out of the company's business.

Registration Statement No. 2-5024. Form A-2. (6-29-42)

Central Maine Power Co. on Aug. 5, 1942, filed a request with the SEC to withdraw trust indenture data in view of decision to sell the proposed issue of $5,000,000 10-year serial notes at private sale. On July 16, 1942, company filed an amendment with the SEC to withdraw the proposed notes from registration.

Amendment filed Aug. 3, 1942 to defer effective date

EASTERN COOPERATIVE WHOLESALE, INC.

Eastern Cooperative Wholesale, Inc., filed a registration statement with the SEC for $150,000 4% registered debenture bonds maturing July 1 of each year from 1944 to 1956, inclusive (exclusive of 1950). Company states that $50,000 in maximum principal amount which shall mature in 1944 and $30,000 is maximum principal amount which shall mature in any one of the other years

Address—135 Kent Ave., Brooklyn, N. Y

Business—Wholesale dealer in groceries allied products, including, among other related activities, warehousing and packaging

Underwriting—No underwriter named

Offering—The securities are being sold by the Cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman, at 100. No commission will be paid to anyone in conjunction with such sale

Proceeds—Will be used to repay certain private loans and also to reduce certain accounts payable now outstanding for current merchandise, the balance to be used for working capital

Registration Statement No. 2-5002. Form S-2. (5-27-42)

Registration Statement effective 1 p.m., EWT on Aug. 1, 1942 as of 5:30 p.m. EWT July 18, 1942

ELLICOTT DRUG CO.

Ellicott Drug Co. filed a registration statement with the SEC for $350,000 6% debentures, due June 30, 1957.

Address—120 Cherry Street, Buffalo, New York

Business — Company is a cooperative wholesale drug company, selling to its members only, all of whom are retail druggists.

Proceeds — $250,000 of the debentures will be presently issued. Approximately $120,000 of this amount will be issued to replace the outstanding 6% preferred stock which is being eliminated. Approximately $48,000 additional will be issued to retire buying privilege deposits with the company The balance, approximately $78,500 after expenses, will become additional working capital

Offering—The new debentures will be priced at 100 and accrued interest

Registration Statement No. 2-5026. Form A-2. (7-7-42)

Amendment filed July 23, 1942 giving to members of the company only the privilege of exchanging the 6% cumulative preferred stock, par $50, for the debentures on a dollar for dollar basis and or exchange for deposits made by non stockholder members

Amendment filed Aug. 7, 1942, to defer effective date

EQUIPMENT FINANCE CORPORATION

Equipment Finance Corporation has filed a registration statement with the SEC for 5,000 shares of common stock, no par value

Address—Chicago, Ill.

Business—Short term financing etc.

Underwriting—No underwriter named

Offering—Issued prior to registration for cash and property 2,007 shares at $100 per share, and 2,993 shares are to be publicly offered at $100 per share

Proceeds—For trucks, land, building additions, improvements and garaging facilities

Registration Statement No. 2-5023. Form S-2. (6-27-42)

Amendment filed July 23, 1942, to defer effective date

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956 and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas) serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post effective amendment to registration statement

Proceeds will be applied as follows $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

Amendment filed July 31, 1942, to defer effective date

HAMILTON WATCH CO.

Hamilton Watch Co. filed registration statement with SEC for 39,382 shares 4½% cumulative preferred stock, $100 par

Address—Lancaster, Pa.

Business — Company manufactures and sells various models of high grade (17 to 23 jewel) pocket and wrist watches for men and wrist watches for women

Underwriting and Offering—Company is making a conditional offer to holders of its 32,054 shares of outstanding 6% preferred stock of the privilege of exchanging such stock for 33,054 of the 39,382 shares of 4½% preferred stock on basis of one share of 4½% preferred stock, plus $1.50 (equal to current quarterly dividend payable March 1, 1942, on one share outstanding 6% preferred stock), plus an unstated amount (difference between the public offering price of one share 4½% preferred stock and $105, the redemption price of the 6% preferred), for each share of outstanding 6% preferred stock. Exchange offer expires Jan. 22, 1942. Any shares of 4½% preferred not issued under the exchange offer, plus the 6,328 shares not reserved for such exchange offer, will be offered to the public, at a price to be supplied by amendment. Harriman Ripley & Co., Inc., Philadelphia, is named principal underwriter; other underwriters will be supplied by amendment.

Proceeds will be used to redeem, on March 1, 1942, at $105 per share, all outstanding 6% preferred stock; balance for expenditures in connection with construction and equipment of plant additions

Registration Statement No. 2-4926. Form S2 (12-30-41)

Amendment to defer effective date filed Aug. 6, 1942

HONOLULU RAPID TRANSIT CO., LTD.

Honolulu Rapid Transit Co., Ltd., has filed a registration statement with the SEC for 75,000 shares of 6% cumulative convertible preferred stock, $10 par; and 75,000 shares common stock, $10 par, latter reserved for issuance on conversion of the preferred stock

Address—1140 Aispai St., Honolulu, Hawaii

Business—Company is a public utility engaged in providing urban transportation service to the city of Honolulu, rendered by trolley coaches and gasoline buses

Underwriting—None

Offering—The preferred stock is offered to company's common stockholders of record April 30, 1942, for subscription at $10 per share, on the basis of three shares of preferred stock for each five shares of common stock, to be evidenced by transferable warrants which expire May 29, 1942. Such of the preferred stock not subscribed to on or before May 29, 1942, or not sold on or before June 30, 1942, will be retained by the company, subject to issue and sale, either at private or public sale, at not less than $10 per share

Proceeds will be applied to reduction of outstanding bank loans, aggregating $1,650,000

Registration Statement No. 2-4973. Form S-2 (3-30-42)

INTERIM FINANCE CORP.

Interim Finance Corp. filed a registration statement with the SEC for 39,912 shares class A stock, $25 par; and 25,232 shares common stock, $1 par

Address—33 N. La Salle St., Chicago, Ill.

Business—Primary function of company is to loan money to enterprises whose debt and/or capital structures are being adjusted or reorganized by its wholly-owned subsidiary, H. M. Preston & Co. A secondary function is to loan money, with funds not used in its primary function, to provide "interim" or intermediate financing to enterprises until the financial positions of the borrower or a change in general capital markets open avenues for longer-term borrowing from customary sources

Underwriter—H. M. Preston & Co., Chicago, Ill., is the sole underwriter. The underwriting commission is $8 per unit

Amendment filed, July 30, 1942 to defer effective date

Offering—The class A stock is to be sold in units of 4 shares, at a price of $110 per unit. With at least the first 900 units, there will be included with each unit 4 shares of common stock; thereafter company reserves the right to reduce the number of common shares to be included in each unit of class A stock

Proceeds will be used for working capital

Registration Statement No. 2-4968. Form A-1. (3-18-42)

Amendment filed July 13, 1942, to defer effective date

LONE STAR STEEL CO.

Lone Star Steel Co. filed registration statement with SEC for $500,000 5% debentures, due 1948; 1,000 warrents to purchase common stock; and 75,000 shares no par common stock

Address—Dallas, Texas

Business—Company is engaged in the manufacture of pig iron and steel

Underwriting — No underwriters are named in registration statement

Offering—The debentures will be offered to the public at 100; each $500 principal amount of the debentures will carry one warrant entitling the holder to purchase 25 shares of common stock of company, at $10 per share. Of the 75,000 shares common stock registered, 25,000 shares are reserved for issuance upon exercise of the warrants, and 50,000 shares will be offered to the public at $10 per share

Proceeds will be used for working capital purposes

Registration Statement No. 2-4997. Form S-2 (5-8-42)

Registration Statement effective 5:30 p.m. EWT on June 17, 1942

SOUTHWESTERN PUBLIC SERVICE CO

Southwestern Public Service Co. filed a registration statement with the SEC for $18,500,000 of first mortgage and collateral trust bonds, due Feb. 1, 1972; $5,500,000 serial notes, due in equal annual amounts from Nov. 1, 1943, to Nov. 1, 1953, inclusive; and 85,000 shares of 6% cumulative preferred stock, $100 par value

Address—Dallas, Texas

Business—This company and its subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity, serving certain communities in Texas, New Mexico, Oklahoma Louisiana, Arkansas and Arizona. Under a plan of integration and simplification proposed to be consummated under section 11 of the Holding Company Act simultaneously with the consummation of the present proposed financing, the company proposes to effectuate the following transactions: Merger of Community Power & Light Co. and General Public Utilities, Inc (the two present parent companies of the company) into the company; liquidation of Texas-New Mexico Utilities Co.; recapitalization and partial liquidation of Gulf Public Service Co.; purchase of Panhandle Power & Light Co., Cimarron Utilities Co. and Guymon Gas Co.; and refunding of the entire outstanding funded debt of the company itself. Upon completion of the transactions involved in foregoing, it is expected that the company will have no parent

Underwriting—Dillon, Read & Co., of New York, is the principal underwriter the names of the other underwriters will be supplied by amendment

Offering—The bonds, serial notes and 6% preferred stock, will be sold to the public, at prices to be supplied by amendment

Proceeds from sale of the new securities will be added to the company's general funds and will be applied to effectuate the various financial transactions involved in the plan of integration and simplification and the refinancing of the company's outstanding funded debt

Registration Statement No. 2-4981. Form A-2. (3-31-42)

Amendment filed Aug. 5, 1942, to defer effective date

Southwestern Public Service Co. on July 21 filed an amendment to its registration statement fixing the interest rate on the proposed issue of $18,500,000 first mortgage and collateral trust bonds due 1972 at 3¾%. Interest rates on serial notes will be supplied by amendment

UNION ELECTRIC CO. OF MISSOURI

Union Electric Co. of Missouri filed a registration statement with the SEC for 2,695,000 shares common stock, no par

Address—315 N. Twelfth Blvd., St. Louis, Mo.

Business—This subsidiary of The North American Co. is engaged primarily in the transmission, distribution and sale of electric energy, which it generates and purchases from its subsidiaries, serving the city of St. Louis, Mo., and portion of 5 adjacent Missouri counties and of 3 counties in Missouri adjacent to the company's Osage hydroelectric plant

Underwriting—Dillon, Read & Co., New York, is named the principal underwriter. Names of the other underwriters will be supplied by amendment

Offering—The 2,695,000 shares of company's common stock are outstanding and are owned by its parent, The North American Co., who will receive the entire proceeds from the sale to the public of such shares

Registration Statement No. 2-4940. Form A2 (2-2-42)

Union Electric Co. of Missouri, on Feb 9, 1942 filed an amendment to its registration statement, naming the underwriters, 141 in all, who will publicly offer the 2,695,000 shares (no par) common stock, all of which are owned by its parent company, The North American Co. The names of the underwriters, and the maximum number of shares of such common stock which each agreed to purchase were listed in the "Chronicle" of Feb. 26, 1942, page 846

Amendment filed Aug. 10, 1942, to defer effective date

UNITED GAS CORPORATION

United Gas Corp. registered $75,000,000 first mortgage and collateral trust 3¼% bonds due 1958

Address—2 Rector Street, New York City

Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

Offering Terms—Bonds will be sold to institutional investors, whose names will be supplied by amendment, at 99.34%

Proceeds—To redeem $28,850,000 United Gas Public Service 6% Debentures due 1953; to pay 6% demand note of $25,925,000 to Electric Bond and Share; to repay $2,000,000 open account debt to E. B. & S.; and to purchase from United Gas Pipe Line Co., $6,000,000 of its 1st & Coll. 4% bonds due 1961. Balance will be used in part to reimburse treasury for capital expenditures and possibly to pay accumulated dividends of $9,502,490 on companys $7 preferred stock

Registration Statement No. 2-4760, Form A-2 (5-15-41)

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of $75,000,000 of the company's first mortgage and collateral trust 3¼% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the pest possible price."

Amendment filed Aug. 5, 1942, to defer effective date

SEC Bid And Asked Rule Held Impractical In Application

(Continued from first page)

tions, the second is by far the more important. A few months or years after the date of purchase the matter of the price paid in relation to the then "Street" market will appear insignificant beside the questions whether income to the purchaser of an investment security has been maintained or whether market performance of a speculative security has been better or worse than the trend of stock market averages. A retail securities dealer is really selling two things, securities themselves and his judgment of their intrinsic merits. The latter is by far the most important item of his stock in trade.

The writer's firm has retained the confidence of many intelligent investors for the more than a decade of its existence and this may be taken as a testimonial to the generally sound quality of its partners' judgment. The worst error of judgment in the firm's record may, nevertheless, serve to illustrate the point made. In 1937 members of the firm became enthusiastic about a stock listed on the New York Curb about which new and favorable developments were believed to have occurred. On the firm's recommendation many customers bought the stock at prices between 20 and 25 and all the partners bought the stock for their personal accounts. The only possible profit to the firm, since stock was bought through Curb brokers and no extra commissions were charged, would have accrued through the good will resulting from a further advance in the stock. Actually the stock has declined more or less steadily for five years and is now selling below 5. The firm lost some customers, strained the good will of others and its partners sustained losses in their personal accounts. Many an unlisted security might have been recommended in place of this particular stock, which would have yielded an immediate profit to the firm and a much more satisfactory performance to its customers. This incident could doubtless be duplicated in the files of any active dealer. It shows that a slim profit to the dealer by no means insures satisfaction to the customer.

Granted that the investor has a legitimate concern that the price he pays for a security shall not be too far out of line with the "Street" market, the proposed Rule X-15C1-10 would seem to be both impossible of practical application and highly discriminatory as between groups of broker-dealers. First, as to the practical application, it is obviously impossible for any dealer to state with certainty at any given moment what the "independent" bid and asked price of a particular security are. There are thousands of unlisted securities in each of which only one or two firms regularly "make a market." Nevertheless, there will almost certainly be other firms spasmodically interested in the market and at times making better bids or better offerings than the "regulars." On a given day the interest of such spasmodically interested firms may not appear in the mimeographed sheets of the National Quotation Bureau. Suppose Smith, Jones & Co. regularly appear in the sheets in National Gadget preferred and quote it 78@80 on a given day. How can retail dealer John Doe & Co. possibly know that a small block is overhanging the market at 78¼? Even if Doe's trader telephones every dealer who had advertised in the sheets during the preceding six months, he might not discover that Roe had the best offering at the moment, though he would certainly be placing an unwarranted strain on a war-burdened telephone system.

Going a little more into detail into the theoretical market for National Gadget preferred, let me suppose that a Doe salesman has made some study of the company, thinks well of its financial condition, management and prospects, and has recommended its stock to a customer. The firm's trader telephones Smith, Jones, whose trader quotes it 78@80. Doe's trader now bids Smith, Jones 79 for 25 shares and his bid is accepted. Assuming that Doe's trader has located no better market than 78@80 by previous inquiry, shall the firm record that quotation as the "best independent bid and asked prices" under the proposed rule? There is certainly a logical basis for stating that the actual market at the time of purchase if 79@79, Doe's bid and Smith, Jones' acceptance thereof constituting an offering. To reduce the affair to an absurdity, Richard Roe & Co. is assumed to have been offering stock, but not "out loud," at 78¼. The real market, then, was 79 bid by John Doe, 78¼ asked by Richard Roe.

The circumstances assumed in the foregoing paragraphs are not unusual. On the contrary, they are the commonplace and normal situation, constituting the very foundation of the business of the many trading houses which do not deal directly with the public. This being the case, however, it is clearly impossible for a retail dealer, even with the employment of more than reasonable diligence, to quote the "best independent bid and asked prices" with any degree of assurance. Suppose that the recommendation of National Gadget preferred proves to have been an error of judgment, the stock declines sharply, the customer complains to the SEC or files suit. Under present conditions the dealer would be put to expense and trouble to defend himself; with the proposed rule in operation his troubles would be multiplied.

Beside the type of security above mentioned by way of illustration, there are a great many even more inactive securities of which a retail dealer might be compelled to state, pursuant to section (a) (2) of the proposed rule, that he could find no independent bid or asked price. Such a statement would certainly be calculated to frighten the average unsophisticated investor, who is prone to confuse an active market with quality in a security. If the two things were related, Kreuger & Toll would have been one of the best purchases in the market in 1931, instead of the worst. Actually many securities having inactive markets are of thoroughly sound quality and offer excellent value to private investors. Application of the proposed rule would greatly impair such marketability as these securities now possess, however, and correspondingly injure the interests of their present holders and of their issuers.

Beside being impossible of practical application, as shown above, the proposed rule appears grossly discriminatory. As between groups of registered broker-dealers, the discrimination is in section (d) (2), reading, "This rule shall not apply to . . . any transaction effected on a national securities exchange." Exemption of stock exchange transactions from the proposed rule is certainly discrimination in favor of stock exchange members. If the investor is entitled to a quotation on an unlisted security which he purchases, he is just as much entitled to a quotation on a listed security. With the atrophy of the securities business in recent years, markets in many listed issues, particularly on the New York Curb Exchange and the smaller exchanges outside New York, have become even wider than the average unlisted stock or bond. On a recent day, for example, Bush Terminal 1st 4s, 1952, were quoted 67 bid, 85 asked on the New York Stock Exchange. This was exceptional for this issue, but spreads of 5% to 20% between bid and asked for other inactive listed issues are by no means unusual. Very few newspapers now carry bid and asked quotations of New York Stock Exchange stocks, none carry listed bond bid and asked prices, none but the "Wall Street Journal" carries Curb stock bid and asked prices. Why should the investor be misled by the compulsory disclosure of over-the-counter quotations and be permitted to assume that the sales prices of listed issues indicate close markets? In the case of New York Curb Exchange, whose own seats are currently quoted no bid, $846.25 asked, the proposed discrimination appears particularly incongruous.

Beside being discriminatory as between groups of broker-dealers, the proposed rule is highly discriminatory as between issuing corporations. The securities of publicly-owned but small to medium-sized corporations are customarily traded over the counter. Adoption of the proposed Rule X-15C1-10 would inevitably injure the markets for such securities. In self-protection trading houses would quote wider spreads between bid and asked, ill-informed investors would favor listed securities to a greater degree than at present. Smaller corporations, with security issues not large enough nor widely enough distributed to be suitable for listing, would find their credit impaired, their opportunity for raising new capital diminished. The position of large corporations would be greatly favored by the proposed rule, the trend toward concentration of economic power seriously accelerated.

The proposed rule would undoubtedly make it more difficult for the small minority of unscrupulous dealers to cheat their customers, who constitute a very small fraction indeed of the investing public. In accomplishing this intrinsically desirable result, the rule would impose extremely severe burdens upon the great bulk of the investment dealers of the United States, discriminate against them in favor of the brokers catering to a more speculative clientele, seriously impair the financial machinery upon which we must depend to raise private capital in the reconstruction era ahead, greatly diminish the marketability of outstanding security issues of small to medium sized corporations, accelerate the trend toward concentration of economic power in the larger corporations. Adoption of this ill-devised measure could be likened to nothing so aptly as burning down a barn to rid it of rats.

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Our Reporter's Report

(Continued from First Page)

But, it is pointed out, this element would get around a regulatory action, merely through the procedure of building up the file records so as to show a bid.

The rank and file of dealers are anxious to see that element "smoked out." But they dislike more regulation, and would favor instead, some plan which would protect such firms themselves from the actions of "fly-by-nighters," as one commentator put it.

Big houses which merchandise securities, they point out, may make a point or perhaps 2 on securities carried on the shelves, at the usual risk, in some instances for six months. Meanwhile, it is argued that to keep records of bids and offers as projected, would involve no end of added work.

Hopeful For Fall Business

Underwriters, fully aware of the influence exerted by the war on new financing for corporations are inclined to be mildly hopeful in looking toward the fall season.

The current lull, though the most pronounced in years, even for the mid-summer "dog-days" has not served to completely discourage them. They see in the "special" and "secondary" offerings and the manner in which these are being absorbed, evidence of availability of investment funds over and above those going into Government securities.

As things now stand, the $5,000,000 issue filed by Potomac Electric Power Co. earlier this month, should be the first piece of new fall business.

The company proposes to sell this issue, to consist of first mortgage bonds, 3¼% series, due 1977, in competitive bidding and should soon issue its call for tenders from potential buyers.

Bankers point out that there remains some $14,500,000 of financing to be done by Central Maine Power Co. This issue has long been in registration as part of a $20,000,000 deal. Other potential business is seen in Public Service of New Hampshire, Florida Power & Light, the latter a large deal, Pennsylvania Electric, Laclede Gas Light, and City of San Antonio.

Specials Still Fill Niche

There is no gainsaying the fact that "special offerings" and twilight deals, have been helping to fill in the time of bankers and brokers alike, and with satisfactory compensation for the effort involved.

Another block of 26,200 American Tobacco common was slated to go to market, either late yesterday, or following the closing today.

This is the second block of the stock to reach market for the account of the same estate, the earlier offering having been snapped up quickly.

Meanwhile, "special" offerings of blocks made on the floor of the Stock Exchange, under its rules, have been more frequent through the week, and in most instances eminently successful.

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Dealer Comment On SEC Proposal

(Continued from page 529)

tive securities—even if the cost is high—rather than to have no market at all.

It might be better, if thought necessary, to endeavor to establish two markets for all over-the-counter securities: a wholesale market—and a retail market—such as is done in the New York Bank Stock Market. The obvious difficulty is that in many over-the-counter securities the interest is so narrow that in many issues there is no real market of any kind, excepting when a transaction is being developed by an over-the-counter dealer. There may not be another transaction in that particular security for days, weeks or even months.

The controversial dealer-broker system would not do, also, for the reason that the transactions in each individual issue are in many cases so few and far between that it would not pay a dealer specialist to make markets. Consequently, in such cases the investment house must act in the capacity of both dealer and broker.

If a system of disclosure to customers of cost and profit is the only way to prevent exorbitant charges to the customer, it may be more desirable to insist that dealers advise the customer of the actual cost or sale price of the security to be bought or sold. With such prices as a base, the profit or commission could be negotiated with the customer's approval. If such a procedure were to be tried, it would be essential for the industry in conjunction with the National Association of Securities Dealers, Inc., and the Securities and Exchange Commission to justify in the minds of investors the reasonableness of larger commissions or profits on over-the-counter, inactive, security business.

In such a manner the customer would become informed and educated to know that certain types of business carry for execution a higher range of commission, though within the maximum limits. It would be safer to rely upon actual costs or sale prices for proof of value at the time than upon vagaries of independent markets whose quotations are often nominal and not real.

It appears that both the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., are doing a very good policing job and have already eliminated or disciplined many of the dealers who have been habitually prone to over-charging their customers for business done.

The answer to the problem lies in raising the moral code of the industry by clearly showing to the dealers what are fair profits and insisting that such maximum limitations be complied with. If a blanket rule such as the one proposed were established, it would place in the hands of the customer the decision as to what a fair commission or profit should be and the danger then would become that the cost of business might be greater than the profits received.

The proposed rule X-15C1-10 no doubt would reduce the profits on the over-the-counter business and would prevent exorbitant overcharges, but at ths same time it would stultify all over-the-counter business, including the overwhelming percentage of such business done on a reasonable profit basis. No business of any type can exist where the customer has the right to decide what a fair profit is.

Yours very truly,
JOHN NICKERSON & CO., Inc.
By JOHN NICKERSON

Tomorrow's Markets Walter Whyte Says—

(Continued from page 525)

start going the rounds about "good news" that in themselves are all too often figments of one's imagination; call it wishful thinking. Not all the stories you hear are the result of such wishful thinking but in present day war markets practically every bit of "inside" stuff you hear is just that.

* * *

It's no wonder that the market ground between two millstones — no accurate knowledge and wishful thinking—acts as it does.

* * *

Since the war first began the democratic countries have been on the defensive, or, what was worse, were ready to talk appeasement. The spirit of hope was in the air. A hope there wouldn't be any war. "No war in our time." A hope if there was a war, we would keep out. And when we were finally forced in, a hope it would be short and a hope we would win.

* * *

The stock market taking its cue from all these hopes acted accordingly. As these hopes went aglimmering it became the popular custom to blame somebody else. Either it was the war mongers or taxes which were at fault.

* * *

The market dealing with facts not abstract theories acted accordingly. It went up a bit on hopes, but refused to maintain any gains on such theories. It went down again. The result was confusion. Home industries were doing well, production was moving apace, still the market wouldn't budge. In my opinion it will not budge, even though it may well move up another five or even ten points, until we begin an offensive not against Jap outposts but at its heart, Tokyo. And not even at Tokyo but at the heart of the Axis—Germany.

* * *

Because I don't know when such an offensive will be started, in force, I continue to advise holding all positions but with stops. The attack against the Japanese in the Pacific is the first good sign. But it's not enough. What the nation and the market needs is an attack against the chief aggressor, Hitler.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Rolker & Morse Head J. R. Williston Depts.

J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Norbert E. Rolker, formerly with Fitzgerald & Co., has become manager of their Investment Department, and Marshall S. Morse, formerly with Lehman Brothers and Schlater, Gardner & Co., Inc., has been appointed manager of their Municipal Bond Department.

J. C. Groshot With Kobbe, Gearhart Co.

J. Charles Groshot has become associated with Kobbe, Gearhart & Company, Inc., 45 Nassau Street, New York City, as manager of the Building & Loan and Real Estate Mortgage Certificates departments. Mr. Groshot has recently been in business for himself in New York and prior thereto he was New York City manager for Lissner & Gross of Newark, N. J.

Payson, Ward Added To N.Y. Victory Fund Group

The Victory Fund Committee for the Second Federal Reserve District, with the approval of the Secretary of the Treasury, has appointed Laurence G. Payson as Assistant Executive Manager of this District, and has appointed Francis T. Ward as Vice-Chairman for Region S (Manhattan and the Bronx).

Mr. Payson, formerly President of the Stock Clearing Corp., is Chairman of the Finance Committee of New York University. Mr. Ward, a former President of the Bond Club of New York and an ex-Governor of the Investment Bankers Association, is a partner in Clark, Dodge & Co. Both Mr. Payson and Mr. Ward have had long experience in the financial field, said the announcement, issued Aug. 6 by Allan Sproul, President of the Federal Reserve Bank of New York and Chairman of the Victory Fund Committee.

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Situation Interesting

With events pointing to an early consummation of the reorganization of Philadelphia Reading Coal & Iron Co., the company's 5s of 1973, certificates of deposit, and 6s of 1949 offer an interesting situation at the present time, according to a circular being distributed by Schoonover, de Willers & Co., Inc., 120 Broadway, New York City, copies of which will be sent by the firm upon request.

Our Reporter On "Governments"

(Continued from page 532)

yield obtainable on the 2½s of 1954/52, selling at a premium of 3⅝ points. . . . Or consider the maturity you have to accept if you want the 2½s issued in tap form last May. . . . You have to go out to 1967/62. . . .

The Series F bonds are obtainable at $74, mature in 12 years, are discount bonds, yield 2.5%. . . . The Series G bonds carry a 2½% coupon, are obtainable at 100, mature in 12 years. . . .

They can't go down in price, of course. . . . They are far above any other issue in attractiveness, income-wise. . . . You can buy up to $100,000 of them. . . . And that's the story. . . .

Incidentally, the excellent showing for war bond sales in July—the $900,000,000 mark was surpassed, as you know—was largely due to increased purchases by corporations and individuals of the Fs and Gs, under the July 1 relaxation of the quotas. . . .

INSIDE THE MARKET

Country banks and institutions in small centers bought large amounts of the ⅞% certificates. . . . Belief is their subscriptions surpassed any shown on previous issues. . . . Reason was $25,000 minimum allotment figure set and fact that issue carried a ⅞% coupon. . . . Meaning a short-term issue bearing nearly 1%—not bad for these times. . . .

Excess reserves are due for another plunge and in New York and Chicago, that's serious news. . . . New certificates carried war loan deposit privilege but that couldn't prevent some decline. . . . Surplus funds in these two leading financial centers of the nation are getting dangerously close to the bottom and action can't be delayed much longer. . . .

To show how New York's position has declined in the last few years, consider this comparison: in January, 1941, when excess reserves for the country as a whole totaled $6,800,000,000, New York banks held $3,500,000,000 of the total, or more than 50%. . . . A few days ago, when excess reserves for the country as a whole totaled $2,200,000,000, New York banks held $250,000,000 of the total or only about 11%. . . .

That's a terrific shift, and it shows how rapidly money has been flowing out of the New York area. . . . Buying securities in the open market to expand reserves may be one temporary way to correct the situation but surely Federal Reserve support can't be considered a permanent answer. . . . The reserve requirement base must be changed—and changed soon. . . .

Long-term market naturally and logically has been depressed by reopening of books on the taps. . . . But decline seems about over and dealers believe time is approaching for purchase of the 2½s of 1972/67 for a short swing. . . .

Tax-exempt bonds seem good buy now too, according to some traders. . . . Long 2¾s due 1965/60 suggested for consideration by institutions primarily interested in working out best tax-exempt status. . . .

Also reports around that the 2s are being actively supported and the 51/49s closest to par are worth looking at. . . .

Final Edition
THURSDAY
In 2 Sections – Section 2

The COMMERCIAL & FINANCIAL CHRONICLE

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Senator George Announces Move To Repeal Law On War Contract Negotiation; Limit War Profits

An outstanding development of the hearing on Aug. 6 before the Senate Finance Committee considering the House-approved tax bill was the announcement by Senator George, Chairman of the committee, it is learned from the advices to the New York "Journal of Commerce" from its Washington bureau, that a move will be made to repeal the present law which requires re-negotiation of war contracts. From these advices we also quote:

> The action, Senator George said, will be coupled with a move for an "over-all limitation of profits on war contracts" even after payment of excess profits taxes. The Finance Committee Chairman said it is possible that repeal of the re-negotiation provisions may be made by an amendment to the pending tax bill or may be undertaken in a separate bill.

In the same paper it was stated that as indicating that there may be some modification of present and pending tax provisions governing capital gains and losses, the Senate Committee on Aug. 5 requested the Treasury to submit information on the various types of transactions which are classified as capital gains and losses. In its Aug. 5 advices from its Washington bureau the "Journal of Commerce" further said:

(Continued on page 540)

FROM WASHINGTON AHEAD OF THE NEWS

By CARLISLE BARGERON

We don't know how it is in the rest of the country but the question is rapidly coming to a head in Washington as to what constitutes patriotism in the Second World War. If it were this writer's thought alone, it would not be so important. But it is a subject that is being discussed all over town, in official and semi-official and completely unofficial quarters and there is not the slightest doubt in the world that it is having a tremendously disturbing effect upon the morale of the Government workers, as well as the countless service men stationed here and those who are continually returning from the fronts.

This article is prompted by an outburst we have just experienced from a man in uniform, a major. This man, it seems, had served with Ham Fish on the maneuvers which Ham sometime ago engaged in. Said he:

"It completely burns me up to see certain people smearing Ham Fish in view of his record in the last war, and furthermore, on the maneuvers in which we were both recently engaged. Why, frankly, the command which he took over was completely disorganized and I have never seen a man whip an organization together more quickly and more perfectly."

This writer doesn't want this column to come to be a defense of Ham Fish. Frankly, we have never had a satisfactory conversation with the man in our life. And ordinarily, we can't imagine anything of less importance than the question of whether Ham should be a member of Congress or not.

But the tactics which his detractors are applying *are* important.

A few days ago the Washington "Post" under the byline of Dillard Stokes, who had only recently been awarded, of all people, by the American Newspaper Guild, a prize for his crusade on the so-called "vermin" press, wrote a sensational copyright story under a New York dateline to the effect that Ham had received money from the dictator of San Domingo. Trujillo. The plain inference was that he got this money from Trujillo for Nazi propaganda.

It is doubtful if Stokes ever went to New York for this story. The fact is that Stokes knew that the special grand jury which he had been for months telling whom to indict had studied this matter for three months and had decided that no indictment was possible. The question involved here is whether, failing in getting an indictment, you should ruin your man by smear.

There was hardly a newspaperman in Washington who did not know that this special grand jury, which has been widely advertised as being for the purpose of "ridding America of Hitler's stooges" and which is in charge of a very ambitious, smally paid young prosecuting attorney, was not trying to hook Ham on his relations with Trujillo. It is a funny thing, too, because it shows a lack of cooperation among our various ambitious men in Washington. If

(Continued on page 539)

Notice To Our Readers

Due to the constantly expanding volume of current news of paramount importance to business and industry, we are obliged, owing to space limitations, to divert to Section 1 a considerable amount of material which, under ordinary conditions, is usually contained in this section of the "Chronicle." In bringing this matter to the attention of our readers, we are mindful of our pledge to make every effort to increase the value of the "Chronicle" by reporting, without delay, all of the information essential to a thorough knowledge of the manifold changes in tax and other legislative matters originating in Washington, together with the activities of the many Government agencies whose functions are of increasing importance to the conduct of business in the present emergency.

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THE FINANCIAL SITUATION

It has long been painfully evident that the authorities at Washington who have so often shown themselves adept in the use of what is known as publicity for the purpose of obtaining votes are badly at sea when confronted with the task of dealing with the same public in war time. It may or may not presently prove that the technique employed is effective in a strictly political sense, but it is scarcely conceivable that it is succeeding or will succeed in marshalling and sustaining the full force of this democracy in the war effort. There is, of course, no evidence of any lack of patriotism among the people by and large, and, we believe, there will be none. On the contrary the patience, the long suffering, the uncomplaining submission to inconveniences, and the degree of active cooperation of the large masses of people seem to us to be quite remarkable in the circumstances.

Prerequisites Lacking

Certain prerequisites to really full and intelligent cooperative effort on the part of the public as a whole are, however, sadly lacking, and so long as this is true we must fall short of the results which could be obtained in other circumstances. Among these essentials which are wanting, the absence of a straightforward, consistent, convincing accounting by government to the people probably should top the list. Complete inability on the part of the general public to ascertain the facts, or even to obtain information requisite to a fairly definite opinion, concerning the rubber situation led to a state of affairs which came dangerously close to giving birth to a most unfortunate piece of legislation, and may well have resulted in inexcusable waste of a vital material. It would do morale no good, on the other hand, if it presently should prove that the repeated grave warnings on the subject from certain officials had but little support in fact.

So long as appeals for the utmost in conservation are regularly undermined by suave assurances from other high quarters, and so long as the Administration fails to

(Continued on page 539)

"We Could Lose This War"

We could lose this war. We never have lost a war; but it has been remarked that this means only that our ancestors never lost a war; and our ancestors were never up against a war like this. It is a war against men with whom no honorable peace is possible; in both Europe and Asia they were fighting it by other means long before the shooting started, and their record proves that they would continue it by other means after the shooting stops, if they still had the power.

It is a total war, in which defeat by our enemies means destruction; the French learned that there could be no honorable submission to Hitler. To win a total war we must fight it totally, and we are not yet fighting it that hard. We are fighting fanatical men out for world domination, and we can beat them only if we want to beat them as badly as they want to beat us.

Many individual Americans have made great sacrifices, but as a nation we are not yet more than ankle deep in the war. We can win it, if we realize that winning it is the one vitally important thing in the world today; but we are not winning it yet. We have done pretty well, but pretty well is not enough. Nothing will be enough till we have won.—OWI

Yes, we could lose this war, as we have been told times without number, and we could lose it though the sacrifice and the effort of every individual in the land were doubled or trebled overnight. We are rather likely to lose it if over-all management is not of the best.

Let us begin from there and set things aright.

Employment Rises To New Level In June

Total civilian and military employment rose to the unprecedented level of 56,400,000 in June, as students free for the vacation months and other new workers were drawn into industry and agriculture, according to the Conference Board, New York. In the aggregate about 1,100,000 workers are estimated to have been added during the month, including about 600,000 in agriculture, just short of 150,000 in manufacturing, and fully 400,000 in the service industries and the armed forces, said the Board. From its advices we also quote:

"Fully 14,250,000 were engaged in manufacturing. Factory employment has increased by a million during the past year. War production has also increased the relative importance of manufacturing employment, which now accounts for 35% of all non-agricultural civilian employment, as against 33% in 1941 and 31% in 1940, the Board reports.

"Employment in some of the converted industries gained sharply in June, including the automobile, carpet and rug and tire industries.

"Although the seasonal increase in the number at work on farms in June was anticipated, it was not expected that the volume of hired workers would rise as sharply as in peace-time years, since the supply of farm labor is at the lowest level on record, the Board says. Nevertheless the number of hired workers rose from 2,638,000 in May to 3,031,000 in June, duplicating the totals for the same months of 1941. The resort to the labor reserve here was to attract boys of high school age from neighboring towns and cities, the Board adds. Women and children, according to the Bureau of Agricultural Economics, have been enlisted to harvest fruit and vegetable crops and to do other farm work. Total farm employment for June was only 1.3 above 1941.

"Offsetting the gains in these groups and in direct war industries were a reduction in the number of wage earners in the nondurable goods group, seasonal declines in employment in the apparel industries, and reduced employment due to material shortages in confectionery, paints, jewelry and related industries. Unlike the previous month a lower level of employment is indicated in construction, as well as in the depressed distribution trades, and in mining. The total number engaged in trade, distribution and finance fell off by 83,000 in June, while the number on construction projects decreased by 40,000. In the former group employment was almost 300,000 less than a year ago, and the number in retail trade alone was 5.4% below 1941."

The Board, in commenting upon the situation, says:

"This intensified resort to the labor reserves further widened the spread between the current level of employment and the number of persons normally in the working force. In the preceding month it was already apparent that the number at work was slightly greater than the estimated number of habitual workers under peace-time conditions. New workers recruited in June raised the excess of employment over the 'economic' labor force to almost 1,200,000. Thus at the end of the seventh month of the war the production load, coupled with the fighting load, required the services of a force not only equivalent to our 55,200.000 habitual workers, but of an additional 5% of the remaining population of working age. A year ago, in contrast, 1,600,000 persons in the labor force were unemployed, while two years ago fully 6,500,00 were jobless."

Editorial—

The War Profiteers Are Rewarded—Not Punished!

The one union which exercises more influence over the manufacture of armament and airplanes for the war effort than any other is the United Automobile and Aircraft Workers (CIO) which held its annual convention last week. It represents the employes in practically all of the automobile factories, which are our first arsenal, and in addition has contracts with many aircraft plants. Its recent record, and developments at its annual convention, help immeasurably to an understanding of what is wrong with our war effort.

This CIO auto union has become a great and powerful organization only within the last few years, all of its growth dating since 1936 when the Supreme Court upheld the Wagner Act and the CIO launched its drive in the motor industry. It boasts of having 700,000 members, and may actually have more than 500,000 dues-paying members. With the spread of the closed shop, and the maintenance of membership clause which the War Labor Board always imposes on employers, practically all of these 500,000 or 600,000 workers must pay their $1 every month to the international union. (How much else they pay in the form of benefit fund assessments and collections payable to the local officials is a matter for conjecture.)

This net, tax-free income of at least $7,000,000 a year truly makes the auto union a vast and powerful organization. A large part of its growth, and particularly its gains in the form of compulsory dues-collection contracts, have occurred since the start of the defense program in June of 1940. How has this union's recent deportment reflected its obligation to the Administration and to the defense program? gram?

Like all of the unions, the auto union has frequently and flagrantly flouted the pledge not to strike, made to President Roosevelt shortly after the war began. It has condoned, if it did not actually stage, strikes in such plants as the Hudson Naval ordnance plant and the Chrysler tank factory. Recently it participated in a jurisdictional strike of many days duration that tied up operations at the Fisher Tank Arsenal in Michigan. This is a new factory which had just gone into mass production of the new M-4 all-welded tanks, the finest in the world, and sorely needed by American and Allied troops in all parts of the world.

Still more recently, this auto union mixed into a jurisdictional strike being staged by the retail clerks at Pontiac, Michigan, and its leaders permitted the Pontiac plant of General Motors, busily engaged in the manufacture of guns and other ordnance, to be closed down in sympathy with clerks.

Not a savory record for the one union most concerned with armament production.

But consider its annual convention. Did the delegates to that convention talk about methods of increasing war production? Was their chief concern ways of improving the production drive committees Donald M. Nelson set up last Spring? No, these were not the big issues that occupied the delegates' attention.

Their major concern was to withdraw a concession they had made to the Administration shortly after Pearl Harbor. They had agreed then to give up their demands for double pay for work on Sundays and to accept only time and a half for work on the sixth, and double pay for work on the seventh day of a week, regardless as to which days of the week were involved. Last week, the delegates asserted that they wanted that double pay privilege back. Never mind if their demands tended to upset production schedules, to force the abandonment of the "swing shifts" necessary to keep factories going 168 hours a week.

The point was, they blatantly insisted, that employers were piling up big profits as a result of the union's surrender of their double time privilege. Just a few days before the delegates mouthed these ridiculous charges, General Motors had reported that its profits for the first 6 months of 1942 were only a fraction of those earned in the 1941 period.

And what was the second big issue of this convention? More production? Why no, the second big dispute occurred over a proposal to **double** the salaries received by the officers of the union. These are the men who have been talking about the sacrifices organized labor has been making in the defense program. The 80% to 90% increase in salary finally voted the officials very probably well measures the sacrifice organized labor has been making in the war effort.

After this display at the convention, and after the union's disgraceful strike record, which violates its solemn pledge to the nation, Walter Reuther, union vice-president and author of the celebrated Reuther plan, then mounted the rostrum at a closing session and delivered a lengthy tirade blaming business, the War Production Board, the Administration, and the Army and Navy—everyone except organized labor—for an allegedly lagging war effort.

Reuther's blatant speech was no more brazen than many other addresses that have been mouthed in behalf of organized labor by its leaders and by its friends in the Administration. After all what can the nation expect; how could it expect anything else from organized labor? The union we are discussing was largely responsible for the origin and development of the sitdown strike in America. Was it ever punished for the excesses it committed in those days?

Organized labor sabotaged the early days of the defense program in 1940 and 1941, setting a new record with the number of strikes in 1941. Yet, when Congress began pushing through legislation—the Smith bill—to curb this sabotage and to bring its leaders to account, what happened? The Administration intervened and pigeonholed the bill.

When war broke out, the Administration again headed off moves to enact legislative curbs by obtaining a promise from the unions not to strike in war industries. How has this promise been kept? Strikes in war industries rose steadily from January through June, mounting to 192 separate war-industry strikes in the latter month. In June the strike toll in all industries, war and nonwar, was **slightly above the average** for the 1935-39 period, though according to the unions' pledge there shouldn't have been any strikes at all!

Yet what has Congress or the Administration done about this outrageous wave of strikes besides cajole and threaten? Wayne L. Morse, public member of the War Labor Board, last week branded the wave of so-called unauthorized strikes "shocking to national morale and thoroughly in conflict with the nation's war effort."

During the same week Dean Morse made this declaration, the War Labor Board continued to grant unions maintenance of membership clauses to assure them dues-paying membership for the duration of the war and afterward. Obviously, no union leader will be impressed by the Morse denunciation when it is followed or accompanied not by punishment but by a highly-valued reward.

So, what could the nation expect from the auto union? It has been taught that to seize whatever it could, regardless of the cost to the nation, or to other groups in society, pays and pays well. It has learned that it could defy any threatened punishment with ease. It has learned that any and all government policies, work relief, NRA, defense program, and war production, can be turned into a great profit for the unions. So nothing about the union's recent behavior, or its annual convention should surprise anyone.

The auto union leaders, like all union leaders, love to talk about war profiteering. It should be pretty obvious by now just who is doing the profiteering in this war. While corporation profits are dwindling steadily, with each quarter's return falling below the preceding period's, the unions continue to enroll new members, who are forced by Federal edict to contribute mightily to the union's tax-free revenues. And, naturally, the union officials are getting theirs, in the form of huge salary boosts, while the getting's good.

And while they profiteer no one talks about curbing union profiteering. Instead, Senators, Congressmen, and Administration spokesmen belabor their own pet straw man and promise the nation they will curb what they call "swollen" corporation profits. And to the true profiteers they generously hand maintenance of membership contracts! Small wonder indeed the strike curve rises, small wonder the worry about production.

Field Crop Conditions In Canada Excellent

"Field crop conditions, though more varied than those of a month ago, are in most major areas among the most favorable that this country has ever experienced," states A. E. Ariscott, General Manager of the Canadian Bank of Commerce, Toronto, "and barring severe losses in the next few weeks from adverse weather insects or shortage of labor, should meet one of this year's major agricultural requirements, namely, an abundant supply of livestock feed. Ample supplies of cereals and late vegetables are now also in prospect. Fruits as a whole are not of average promise in Central and Eastern Canada but are expected to yield higher than last year in British Columbia.

"Heavy rains provided much needed moisture for various crops and pastures in Ontario but retarded haying and the wheat harvest, though as yet there has been no serious loss in the bumper yields.

"A period of warm weather, following generally satisfactory rainfalls, caused favorable development of prairie grain crops, although not all the previous backwardness was overcome and more hot weather is required for most of the West. As these crops now stand they are of bumper proportions, but are subject to frost, rust and sawfly damage. Some heavy sectional hail losses are reported and grasshoppers are active but damage from these pests has been of local character and they are generally less threatening than was expected.

"The prolonged wet period in British Columbia was broken during the third week in July and climatic conditions since have been favorable to the harvesting of excellent field crops.

"Our index of industrial activity rose from 175 at mid-June to 179 at mid-July, reaching a level about 11% above that of July, 1941. The percentage of factory capacity utilized rose from 118 to 120. There is some indication that the rate of increase in activity month by month over the previous year, which had been declining for the past twelvemonth, is now turning slightly upward with the progressive re-organization of industries for war output."

THE FINANCIAL SITUATION

(Continued from first page)

show sufficient concern to take obvious steps to conserve rubber, the public can scarcely be censured severely for passing the subject off with a shrug of the shoulders. It is often asserted that politics and the approaching elections are responsible for much of the rubber mystery, more particularly the failure to act as officials have repeatedly spoken, but such an explanation, whether true or not, does not reduce but rather enhances the unfortunate effect of the whole muddle upon the public mind. It is most ardently to be hoped that the President's belated action in appointing a body of distinguished gentlemen to study and report on this situation proves in the event to be something more than a gesture to fend off adverse criticism.

War Production Status

But far more important is the confusion which of late has grown up in public statements concerning the status of war production. If the latest vaporings of Walter P. Reuther, the well publicized labor agitator, presently are found to have made a far deeper impression upon the public than their apparent authenticity warrants, such an unfortunate consummation can be charged to nothing else than the confusion and doubt created in the minds of the people by the defects of official statements themselves. If they ultimately lend force to some fantastic demand for sovietizing American industry, the responsibility must lie largely with these same official outgivings. To us it would appear that Mr. Reuther's allegations are to be set down as utterly irresponsible and inexcusable. We are quite certain that such utterances by any leader of industry would be regarded quite generally, certainly by officialdom, as little if any short of treason. They are too completely inconsistent with such very general deductions as may be made from available well authenticated facts. Yet it must be admitted that the soil has been well prepared for such seeds of doubt and discord.

What Is Wrong?

Quite aside from the rather easily impeachable allegations of Mr. Reuther, there is, unfortunately, evidence that all is not as well as it should be with the war production program. And to the ordinary man this evidence comes almost as a bolt from the blue. Only a very short time ago, the highest officials including Mr. Nelson and the President himself, were issuing the most confident of statements concerning current and prospective production rates. Then came the cancellation of a large shipbuilding contract on the ground that materials required for construction of facilities were not available without sacrifice at more urgent points. Sweeping charges of mismanagement began to appear, and then warnings of forthcoming curtailments here and there because of materials shortages—which, according to some close students of the situation, are not shortages at all but faulty apportionments of existing materials. Now come admissions of "mistakes" by none other than the OWI.

The time has obviously come for a disclosure of the facts in as much detail as may be without furnishing the enemy with valuable information he does not already possess—and that means going a great deal further than the government has been willing to go to-date. But instead the public is handed "a review of the general situation" in which scarcely a specific fact is to be found, but which by reason of its general tone has given the impression that the people are being prepared for unfavorable news about the war production effort. Says the OWI:

> Our production, measured by our standards of a couple of years ago, is amazing; measured against what we need to win, it is not yet enough. In June we fell slightly below schedule in total military planes, in total combat planes, and in most of the individual types; we made more planes than any other country in the world, but we did not make as many as we said we were going to make. The same is true of tanks, of most types of artillery, and of naval vessels—particularly the small craft needed to fight submarines.
>
> We have made in the past two years a tremendous plant expansion. Now we have more factories than, at the moment, we can use—not too many, perhaps, compared to the ultimate need, but too many for the amount of raw materials at present available. Faulty control of inventories and of flow of materials has necessitated some temporary shutdowns.
>
> The war production drive is taking a new turn, emphasizing materials until we get enough of them to keep all our factories busy. Mistakes made this time were perhaps unavoidable and will not be made again, but their consequences will be with us for some time to come.

What is all this to be taken to mean? That we are now behind "schedule" and are likely to remain behind it for a considerable period of time while past errors are corrected? And who is "we"? The general course of the argument throughout the "report" would suggest that by "we" was meant the American people generally, but these "mistakes" to which reference is made could hardly have been those of anyone other than the officials of the Federal Government or of the armed forces. No one else had control of inventories or of supplies. Is this "report" to be taken as a sort of confession of shortcomings? The "mistakes" "will not be repeated," but what assurance have the American people that they will not be? What steps are being taken to avoid them? Are men of proved experience now to be entrusted with tasks which amateurs and dreamers have bungled? And what are these mistakes, and how serious are they? Here are some of the questions which ought to be answered directly and simply.

Voluntary Bond Purchases Will Not Meet Govt. Needs After This Year, Schram Believes

Emil Schram, President of the New York Stock Exchange, at the hearing on Aug. 7 before the Senate Finance Committee on the pending tax bill, indicated that he did not believe the Government could rely beyond this year on voluntary bond purchases for war financing. Associated Press advices from Washington stated that Mr. Schram made this statement when asked by Sen. Arthur H. Vandenberg, Republican, of Michigan, whether he believed it would be safe for the Government to rely on a system of financing which involved the voluntary general purchase of $12,000,000,000 in bonds yearly, with commercial banks taking approximately $30,000,000,000 worth additional.

"Perhaps you can finance this operation by voluntary purchases for this year," Mr. Schram replied, "but I can't see how it can be done until the end of the war."

Senator Vandenberg said he thought the sale of $30,000,000,000 in bonds to banks would have an inflationary effect.

A statement made by Mr. Schram on Aug. 7 at the Committee hearings on the capital gains tax is referred to under another head in this issue of our paper.

On Aug. 8 Senator Vandenberg contended that the Treasury's War Bond Program is totally inadequate to meet the fiscal needs of the Government and indicated that he would support a compulsory or "induced" savings plan to raise additional funds.

The Senator is quoted as saying:

"It is perfectly clear that volunteer purchases of War Bonds at the maximum rate of $12,000,000,000 a year does not remotely meet the Government's need in view of the fact that there will be a $35,000,000,000 deficit even after the new tax bill is passed and these voluntary bonds have been bought."

Mr. Vandenberg, who is a member of the Senate Finance Committee, said he was "not ready to discuss methods," but is convinced that the Government is "face to face with the necessity for considering new methods that will produce a vastly larger distribution of War Bonds to the whole American people."

According to the Associated Press, Senator Vandenberg urged on Aug. 9 that President Roosevelt put "the best fiscal minds of the country" at work immediately on a plan of war financing which would combine taxation with Government borrowing in one comprehensive program. The press accounts from which we quote added:

"Declaring that only haphazard attempts had been made thus far to meet the threat of inflation, he said it was inherent in extensive government borrowings from commercial banks. Mr. Vandenberg contended that work on this question ought to be begun now. 'not next month and not after the election.'

"'By the time the next tax bill gets before the Senate,' the Michigan Senator told reporters, 'Congress will have spent nine months on an $8,000,000,000 segment of a $50,000,000,000 program. Meanwhile the Treasury, with its voluntary bond purchase program, is spending 12 months on a $12,000,000,000 segment of the program.

"'That leaves a $30,000,000,000 segment—by far the biggest and by far the most potentially inflationary—for which we have no program at all and to which the attention neither of Congress nor the country is invited.'"

Retail Dry Goods Ass'n For Retail Sales Tax

In urging the adoption of a 5% retail sales tax to be in force until six months after the end of the war, Jay Iglauer, Chairman of the Taxation Committee of the National Retail Dry Goods Association, in appearing before the Senate Finance Committee on Aug. 5 disagreed with the Treasury Department's contention that a Federal sales tax would be inflationary, and declared that such a levy would be "distinctly deflationary" and would syphon off considerable excess purchasing power. The Associated Press advices from Washington, Aug. 5, from which we quote, further reported regarding the Senate committee's hearing on the pending tax bill:

"Senator Vandenberg, Republican of Michigan, agreed with Mr. Iglauer's conclusion, declaring 'it is absurd to say that a fixed Government tax is inflationary.'

"We propose the adoption of a war retail sales tax of 5% of the purchase price of all tangible personal property to be paid by the consumer at the time of purchase," Mr. Iglauer told the committee. "It should apply to all sorts of tangible personal property, much of which may not commonly be sold through retail stores.

"In addition to everything ordinarily known as consumer goods, it should apply to all purchases of machinery, fixtures, supplies, factory and store equipment, etc., exempting only the purchase of such items as are required for the production of war materials.

"The tax should not apply to personal or professional services, such as those of physicians, dentists, attorneys, or to salaries and wages, or to rents, or to the cost of insurance. This recommendation contemplates the repeal of the manufacturers' excise taxes except those on tobacco, liquor, gasoline and oil, and the repeal of the retail excise taxes on furs, jewelry and toilet goods."

Senator Brown, Democrat of Michigan, said he believed that if a sales tax was necessary, consideration should be given to extending the levy over services as well as goods. Mr. Iglauer said his recommendation was based upon the problems of administering and collecting a tax on services.

"Retailers generally have always opposed consumption taxes in ordinary times," Mr. Iglauer said. "It makes their task of selling goods more difficult. Now, in war-time, we welcome the opportunity to help with the war effort by assuming heavy burdens of expense and administration in conection with priorities, scarcities, transportation, price control and taxation."

He declared that about 28½% of the national income is earned by people making less than $2,000 a year.

He figured the 5% sales tax would add about two and one-half billion dollars revenue.

From Washington

(Continued from First Page)

having relations with Trujillo constitute being a Hitler stooge, where does that leave our good neighborly relations with Latin America? Trujillo's government was one of the first to declare for our side. In fact, the dictator Trujillo has been overwhelmingly for our side and particularly for Mr. Roosevelt, ever since his army massacred some 12,000 Haitians a few years ago. It was his effort to incur good favor in this country again, after paying off, as we recall it, $25 a head for the massacred Haitians, that Ham as well as a number of other Washington statesmen, became involved.

But let's get back to the grand jury investigation. Well, several weeks ago, young Mr. Maloney, the ambitious prosecutor, fed to Stokes the story that a "mysterious White Russian" was to appear the following day as a "vital witness for the Government in its effort to ferret out the Hitler stooges in this country." The second day of this mysterious White Russian's appearance before the grand jury, Maloney passed the word to Stokes that he was "implicating an Eastern Congressman." The third day, it seems that Walter Winchell and the Washington correspondent of "PM" also have close relations with this prosecutor, all other Washington reporters having shunned such contact, and they report that an "Eastern Congressman" is to be indicted shortly as a result of the revelations of this mysterious White Russian "vital" witness in the Government's effort to "ferret out the Hitler stooges" in our midst.

The facts are that when the "mysterious White Russian" concluded his appearance before the grand jury he turned to Special Prosecutor Maloney, cited the newspaper clippings and Winchell's broadcast and asked:

"Now, whom have I incriminated?"

Maloney professed to have no knowledge of the clippings or the broadcast, whereupon the "mysterious White Russian" went around town for several days trying to get publication of a statement which he wanted to make saying the statements that he had "incriminated" anybody were outrageous. Funny business, isn't it?

After the grand jury investigation had petered out, Stokes springs his story which was full of innuendo. Stokes did not tell that on the trip which Ham made to San Domingo, Senator Hughes, New Dealer of Delaware, also went, as did several other Senators and members of the House, and, above all people, correspondents of "Time," "Life" and "Fortune," all at Trujillo's expense; that on another trip another delegation of Congressmen and journalists went, and that altogether in this great publicity spree, engineered by the "mysterious White Russian" publicity man, Jimmy Roosevelt went down and was royally entertained by the dictator and that subsequently Trujillo came to visit Mr. Roosevelt.

Volumes could be written on Ham Fish's ineptitudes. Particularly what he tried to do as a result of his being dined and feted by the dictator. One thing, this was back in 1939, the hot shot, but "mysterious White Russian" publicity man, thought one good way to get Trujillo back into favor, after his soldiers had massacred those Haitians, was for his country to offer asylum to the persecuted German Jews. The publicity man did this without Trujillo's knowledge because it was a good publicity stunt. But the man "of position" who gave impetus to the idea was Ham Fish. And the result was that they have given asylum to some 1.500 Jews down there in San Domingo.

The State Of Trade

Business activity continued at peak levels for 1942. Steel operations were higher than the previous week, with electric kilowatt production showing an all-time high and merchandise loadings, petroleum runs and bituminous coal output gaining further.

Production of electricity reached an all-time high for the fourth successive period in the week ended Aug. 1, when output totaled 3,649,146,000 kilowatt hours, an increase of 0.6% over the 3,625,645,000 generated a week earlier. The latest total was 11.8% above the year-ago total of 3,263,082,000 kilowatt hours.

Loading of revenue freight for the week ended Aug. 1, totaled 863,528 cars, according to reports filed by the railroads with the Association of American Railroads and made public recently. This was an increase of 8,006 cars over the preceding week this year, 18,494 cars fewer than the corresponding week in 1941 and 145,601 cars above the same period two years ago. This total was 129.63% of average loadings for the corresponding week of the 10 preceding years.

Steel production in the United States is scheduled this week at 96.5% of revised weekly capacity of 1,710,700 net tons of ingots for the last half of 1942, the American Iron & Steel Institute announced. At 96.5%, output would be indicated at 1,650,800 net tons this week and compares with 95.8% and 1,639,200 tons last week.

A year ago steel plants and furnaces were operating at 95.6% of capacity available at that time and produced 1,579,500 net tons.

Seasonal promotions caused a moderate upturn in retail activity this week, but comparisons with the exceptionally heavy buying of last year at this time showed a sharp decline in trade, the weekly review of Dun & Bradstreet, Inc., reported. Best showing for the week was in some war centers and prosperous farm towns, where both retail and wholesale activity surpassed that of 1941.

For the country as a whole, Dun's estimated retail volume at 5 to 10% below that of 1941, but still well above other recent years. It was pointed out that the wave of advance of buying of last year at this time brought retail sales 25% above those of 1940.

Retail trade this month should run at a relatively high level, and comparisons with the record made during August of last year are likely to be misleading, observers state.

Because of the consumer buying rush in August of 1941, sales soared to a level which sent the Federal Reserve Board index of department store sales to 134% of the 1923-25 average, a rise of 19 points from the previous month. Despite the fact that retail prices are some 15% higher than last year, sales this month are not likely to achieve the dollar volume of last year.

A clearer picture of what is happening in retail trade can be obtained by comparing the current showing with that of 1940 or with the period of 1935-39, the case used for computing the Federal Reserve Board index of industrial production. Such comparisons show that retail trade now is some 20% higher than in 1940 and 35% higher than in the 1935-39 period.

Although the total volume of man hours lost in strikes is low in comparison with the pre-war record, considerable damage is being done to the war program by "hit and run" brief strikes which disrupt operations to a greater extent than the bare figures indicate.

The National Association of Manufacturers estimates that the number of strikes in war industries has increased from 27 in January to 192 in June. Some 84,775 men were involved in the June strikes as against 11,605.

The trend in strikes is upward. Many of the strikes are of a jurisdictional character and are unauthorized. While national labor leaders are seeking to stem this tide of stoppages, the temper of rank and file unions is now such as to defy such efforts by the leaders.

Reports from Washington that the War Labor Board may review all general wage increases, coupled with the drive within the Government to establish a wage control administrator point to a growing resistance to wage rises.

The right to review wage rises is being sought by the War Labor Board which would apply the formula developed in the Little Steel case. The demand for a wage administrator stems largely from the Office of Price Administration and is being fought bitterly by the War Labor Board.

Establishment of a wage stabilization agency, as suggested by Henderson, would rob the War Labor Board of its important role in the war and probably wreck it. Even if the War Labor Board succeeds in maintaining its wage control powers, the struggle to survive should have a chastening effect on its wage decisions.

While the War Manpower Commission prepares to register all women and reveals that one of every three or four housewives may have to take war jobs, officials in New York City report that the already sizable volume of idle persons will increase considerably before any improvement can be expected. And New York is not the only exception. Chicago also has its local unemployment problem.

Some 357,000 persons were seeking jobs here at the beginning of last month, according to the United States Employment Service. This figure, according to city officials will be swelled to well above the 500,000 level over the next few months.

It is pointed out that while the immediate outlook for absorbing the idle in this city is gloomy, the eventual prospect is somewhat brighter. The industrial areas in New Jersey which are within commuting distance from this city, eventually will need a large volume of labor. Many of the idle persons who have received industrial training will thus be absorbed in jobs relatively near present homes and families. However, since the recruiting of labor and manpower mobilization generally is still on a voluntary basis, the process of absorbing the surplus labor of areas like New York and Chicago will proceed slowly.

Auto Tax Stamps On Sale At Post Offices

In a statement issued on Aug. 1 regarding the sale of Motor Vehicle Use Tax Stamps, Joseph T. Higgins, Collector of Internal Revenue for the Third District, New York, stated that where the motor vehicle was used in July, a $5 tax stamp was required, but that postoffices no longer had the $5 stamps. The New York "Times" of Aug. 2 in noting this said:

"The law provides that 'where the first use of the motor vehicle occurs after July 31, the tax shall be reckoned proportionately from the first day of the month in which use occurred to and including the 30th day of June following. Postoffices will continue the sale of motor vehicle stamps of succeeding denominations where the first use of the motor vehicle occurs in the months indicated: August, 1942, $4.59; September, $4.17; October, $3.75; November, $3.34; December, $2.92; January, 1943, $2.50; February, $2.09; March, $1.67; April, $1.25; May, 84 cents; June, 42 cents.'"

May Repeal War Contract Negotiation Bill

(Continued from First Page)

Another important development today was the statement of Senator George that new sources of income must be tapped if the revenues in the House bill are to be increased by $12,500,000,000 as requested by the Treasury.

Senator George said "the rates on individual and corporate income taxes cannot be increased to produce more revenue," although he admitted that it may be necessary to make some slight increase in rates to provide debt relief for individuals and corporations. This rise in rates, however, would not increase revenues of the Treasury.

A great deal of the final decision will be determined by the action of the committee on post-war credits, Senator George added.

On Aug. 5, at the Senate committee's hearing, R. V. Fletcher, Vice-President of the Association of American Railroads, urged the committee to permit railroads to buy their own securities at a discount without tax penalty. At present, it was noted in the Associated Press, the difference between the price paid and par is counted as profit to railroads, unless the carrier obtains a certificate from the Interstate Commerce Commission or the Reconstruction Finance Corporation that the railroad is in unsound financial condition. The Associated Press added:

> Mr. Fletcher declared the latter proviso injured the railroads' credit, and that few carriers therefore had been able to buy back their depreciated bonds.
>
> The Association official also recommended that a provision be written into the bill authorizing the railroads, for tax purposes, to set aside 2% or 3% of their war-time revenue for post-war reconditioning of their tracks and rolling stock. He said the money should be invested in Government securities and spent for maintenance within five years after the end of the war.

From its Washington bureau, Aug. 5, the New York "Journal of Commerce" had the following to say, in part:

> Thomas F. Patton, general counsel of Republic Steel Corp., testified that if the House-approved corporate tax rates were enacted into law his company would face a serious problem in paying its taxes, repaying loans and retaining any funds for operations in the post-war period.
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> At this point Senator Brown (Dem., Mich.) suggested that for corporations in that position because of rapid growth, he was considering the idea of permitting a tax deferment, with the RFC making loans for tax payments which would extend over a 10-year period.
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> Mr. Patton replied that such a proposal would certainly "put the Government in the banking business in a big way," adding that the corporations would rather take care of themselves by retaining a portion of their profits.
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> Action to exempt savings and loan associations from withholding 5% of small dividends was definitely indicated by Chairman George following the request for such action by Morton Bodfish, Vice-President of the United States Savings & Loan League of Chicago.
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> It was estimated by Mr. Bodfish that withholding tax provisions in the House-approved bill would increase expenses of his organization by several million dollars a year. At the same time Mr. Bodfish pointed out that the withholding tax as it now stands is discriminatory because it "does not require commercial banks or mutual savings banks to withhold upon interest paid to their savings and time depositors."
>
> Restoration of the 85% intercorporate dividend credit for foreign corporations with American subsidiaries was urged by Prew Savoy of this city, who told the committee that he appeared on behalf of American stockholders in British and Scotch corporations.
>
> Under the bill as approved by the House, Mr. Savoy said, dividends which an American operating company pays to a foreign parent or holding company are subject to a 37½% withholding tax. This rate, he pointed out, is much larger than under present law, under which dividends paid by American operating companies to foreign parent or holding companies are entitled to an 85% credit, leaving only 15% of the dividend subject to normal and surtax rates for corporations. In addition, he pointed out, American subsidiaries are required to pay income taxes on their earnings at prevailing corporate tax rates.

At the hearing on Aug. 6 Senator George said that Congress ought to junk the present system of re-negotiating military contracts and establish an over-all limitation on war profits. His statement was prompted by an appeal by Henry B. Fernald of Montclair, N. J., for repeal of provisions of the law which permit the Army and Navy to re-negotiate contracts to scale down profits. Indicating this, the Associated Press also had the following to say:

> Speaking for the American Mining Congress, Mr. Fernald said that the re-negotiation provision created confusion and interfered with operations of the excess profits levies of the tax laws.
>
> Senator George interrupted, saying that he believed the renegotiation provision was entirely unworkable, adding that the committee was going to consider its repeal.
>
> Senator Taft, Republican of Ohio, suggested that repeal be considered in the pending new revenue bill. Senator Vandenberg said he had been informed that the Treasury, Army and Navy had agreed on a system of deductions where a company already had paid its taxes on profits which it later lost by renegotiation of its contracts.
>
> "I think there must be an over-all limitation on the profits on all war contracts, both prime contracts and subcontracts," Senator George said. "We can leave the excess profits tax to operate on non-war contracts."
>
> Before the committee met, Senator George had said that a good many members were very much interested in a sales tax in their search for additional revenue.
>
> Mr. Fernald testified that some operating mines need additional finances to meet the Government's demand for increased production.
>
> "If profits from any increased production will be treated as excess profits and subjected to a 90% tax, there is no sound basis for seeking investment of new money," he said. "The remedy here is to provide adequate allowance for reasonable profits on increased production and a reasonable return on new investment so that existing equities will not have to be impaired."
>
> Mr. Fernald proposed that the total corporate normal and surtax levies be reduced to 33⅓% from the House figure of 45%. He said that he did not believe the excess profits tax should exceed 80%, urging also that provision be made for taxpayers to deduct 20% from their taxable income for investment in Government bonds.
>
> M. D. Harbaugh of Cleveland, Vice-President of the Lake Superior Iron Ore Association, urged that a unit of production basis be used to determine excess profits taxes in the expanding mining industry. The effect of this, he said, would be to apply the excess profits levy to the earnings over and above the normal profit on each ton produced.

Reference to the hearings on the tax bill was made in our Aug. 6 issue, pages 461, 465 and 472.

5,000 Add'l Tank Cars To Carry Oil East

The Office of Petroleum Coordinator on Aug. 3 announced that tank car companies in the Middle West, Southwest and Rocky Mountain States have been ordered to release immediately 5,000 tank cars to carry gasoline and fuel oil to the Atlantic Seaboard. These cars will supplement the estimated 62,000 cars already used to bring petroleum products to the East. It was indicated that more cars may be called for as conditions warranted.

Ralph K. Davies, Deputy Petroleum Administrator, stated that the OPC is prepared to place limitation orders on areas where shortages develop after withdrawal of transport facilities. This it was stated, would have the effect of lightly rationing such areas without a formal coupon system, through reducing filling station supplies.

Harold K. Ickes, Petroleum Coordinator, announced that Eastern oil companies have been notified that they must move additional oil overland. It was revealed that arrangements had been completed with Jesse H. Jones, Federal Loan Administrator, whereby the added cost of overland shipments, as well as the extra cost of buying petroleum products in the Middle West, as compared with Gulf Coast prices, would be absorbed by the Government.

OPC officials estimated that 45,000 tank cars would be left for service in the affected areas after withdrawal of the 5,000.

Heads Taxpayers Ass'n

Norman J. Gould former Congressman of Seneca Falls, was named Chairman of the Citizens Public Expenditure Survey, statewide taxpayer group, at the Summer meeting of the Survey's Board of Trustees, it was announced on July 30. The organization also elected as its President James H. Moseley, President of the Federation of Westchester Taxpayers Association, Inc., said the announcement from Albany, which further stated:

"Mr. Gould who has been a trustee of the Survey for the past two years succeeds J. Irvine Lyle of Syracuse who died in June. L. Richard Guylay, a member of the New York State Legislative Economy Commission, is executive Vice-President of the organization.

"Mr. Moseley, the new president, was organizer and first chairman of the Committee of 100 of Yonkers. He retired from the Yonkers taxpayer group in November 1941 at which time he was presented a scroll by the Committee for distinguished service in the interest of good government in Yonkers. He succeeds Walter M. Franklin of Larchmont who resigned.

Economist Declares Pending Tax Bill Will Produce No Revenue From Capital Gains

With respect to the pending tax bill, Elisha M. Friedman, a consulting economist, declared at the hearing before the Senate Finance Committee on Aug. 7 that the bill "will produce no revenue from capital gains," asserting that "capital gains are illusions, at which doctrinaires clutched." As to the provisions governing long- and short-term gains and losses, Mr. Friedman termed the bill "self-contradictory." His statement made at the hearing follows:

"The House Bill provides a single holding period of 15 months, which is somewhat shorter than the present law, thus distinguishing between so-called long-term and short-term capital gains. Short-term gains are subject to the graduated income tax. Long-term gains are subject to half the graduated income tax, with a maximum rate of tax of 25% on capital gains, raising the present 15% and 20% rates. Losses, either long or short, may be offset against gains, either long or short. Losses, long or short, may not be deducted from income, except up to $1,000. Losses may be carried forward for five years.

"These provisions can not produce revenue. The Bill is self-contradictory. On the one hand, it provides that long- and short-term losses must be treated equally, and alike offset gains either long or short, and alike not be deductible from income. Thus the Bill abolishes the distinction between long- and short-term gains. Then the Bill does a right-about-face and provides a dividing line of 15 months to distinguish long-term from short-term gains. Is there any meaning to this 15-months fence?

The holding period is a figment of the imagination. In the revenue laws of the past decade its length has shifted from one year up to ten years, back again to 24 months, and now is to be shifted once more to 15 months. Apparently no one seems to know what a "holding period" means. Is it a mere subterfuge to justify taxing the so-called short-term gains at high income tax rates? With world history moving like an avalanche, how can any one take a commitment for 15 months? Think back 15 months. Who, then, could have foreseen the now? The Treasury says it is on a 24-hour basis. Shall the investor be required to be on a 15-month basis?

The 25% rate on long-term gains is a revenue reducer, not a revenue producer. Past experience proves this. In 1938 the $50,000 income bracket paid 30% on short-term gains and 15% on long-term gains. How much capital gain was realized? The 15% rate realized $20,800,000 against $6,600,000 for the 30% rate, or three times as much. In 1934, on incomes of $100,000, the 33% rate produced $138,000 of relatively short capital gains, but the 16% rate produced $34,000,000, or 250 times as much in long-term gains. In every year there is proof that low rates stimulated realizing of capital gains and high rates checked taking capital gains. Why should any different result be expected in 1942?

In 1938, 48 incomes in the top brackets of over $1,000,000 took short-term gains of $3,600 each. Thus the Government gets no revenue and the stock market is closed to the large investor. And the SEC worries about being blamed. What a field for action by the SEC! It frames elaborate 7-point plans to save the 21 Stock Exchanges from extinction and overlooks the most important. Let the SEC back the Boland Bill as the ICC endorses tax provisions to help the sick railroads.

Capital is idle. The capital gains tax is a "lock-out" order. Only the smallest people can now speculate. The big stabilizers of the market are out. Therefore the volume on the Stock Exchange is insignificant. Therefore the market is without leadership—erratic, swinging extremely at tops and bottoms, and without any courageous anticipation of events.

If the House Bill H. R. 7378 is enacted, it will accelerate the inflationary tendency. High rates would prevent selling. The Bill would thus create a one-way market—many buyers and few sellers. A buyers' panic might ensue. This is exactly what happened in Vichy-France, after March, 1941. A capital gains tax was then introduced for the first time in the history of France, and a rate set of 33%. As a result of sad experience, the rate and holding period was frequently and successively reduced to 10% on holdings up to three months. No tax was payable thereafter. The Boland Bill called for a 10% tax without time limit.

The Bill H. R. 7378 will produce no revenue from capital gains. The Treasury has for years withheld figures of tax revenues from capital gains. Recently the figures were released. What do they show? The Treasury received in tax revenue from capital gains an average of $31,200,000 in the decade 1931-40, about $26,000,000 for the 11 years 1930-40, about $20,000,000 for the two years 1939-40, about $12,000,000 for the year 1940, and will probably show zero or minus for the year 1941. If the abnormal year 1936 is eliminated, the remaining 10 years of 1930-40 showed an average tax revenue of $9,000,000. This is less than the tax yield on the chewing gum category. The yield would have been even less if the Government had, properly, permitted deduction of short-term capital losses from income, as it taxed short-term gains as income.

The stock transfer tax of about 25% to 33% averaged about $23,000,000 for the same decade. In 1931 to 1933, the Government actually lost $184,000,000 in tax revenue through deduction of capital losses. But in the same three years the stock transfer tax provided $76,000,000 of tax revenue—a plus instead of a minus. What more striking evidence could be presented that a high rate on capital gains is unproductive, complicated and pernicious, compared to a low tax rate?

Capital gains are illusions, at which doctrinaires clutch. What are the facts? Excluding the five boom years, 1925 to 1929, the remaining years of the period 1917 to 1940 showed net capital losses of $8 billion, or an average of $450,000,000 per annum. Net capital losses were reported in every single year during the periods 1918 to 1923, 1930 to 1933, and 1938 to 1940.

Twenty-five years experience shows that a high capital gains tax produces little or no revenue, that it prevents shifts from one security to another, even into United States Government War Bonds. Under high rates, the Treasury sees potential taxes appear and vanish like a farmer watching a crop grow and rot.

Capital gains were declared not taxable as income by the United States Supreme Court in 1872: "Mere advance in value in no sense constitutes income * * *. It constitutes merely increase of capital." In 1915, a United States District Court decided that capital gains were not taxable as income. Only in 1918, when the Government sorely needed revenue for war purposes, did the Supreme Court reverse this decision and hold capital gains to be taxable. The motive was revenue. However, official statistics prove that high rates of capital gains tax has not produced worthwhile revenue.

Troubled times face us after the war. The American economic life must be rid of this illusion if the country is to face its problems realistically.

But the Government needs revenue in war time. To obtain revenue the Senate might well adopt the provisions of the Boland Bill, H. R. 6358, to replace the capital gains provision of the present revenue bill, H. R. 7378. Such a change would produce revenue of from $200,000,000 to $600,000,000 a year.

The Boland Bill proposes to:

(a) Eliminate the holding period.
(b) Segregate capital gains and losses from income.
(c) Restrict deductions of losses to segregated gains.
(d) Set a 10% rate to produce increased revenue.
(e) Carry losses forward 3 years.

What would the benefits be? Revenues from capital gains would increase. Capital now frozen would become mobile. The defense program would be strengthened. Post-war readjustment would be aided. A large program of home building would be stimulated. Real estate would be unlocked, and farmers could buy and sell property freely.

International reconstruction requires a sound and workable financial machinery here. Whether the United States will become the financial center of the world depends upon the vision and statesmanship embodied in the Capital Gains Provisions of the revenue bill.

Urges Abolishing Of RR Land Grant Rates

On Aug. 6 the Commerce and Industry Association of New York, Inc., through its Transportation Committee, urged the passage by Congress of the bill abolishing land-grant rates which are now required of certain railroads on military transportation. The bill now is before the House Committee on Interstate and Foreign Commerce. In a letter to Senators Robert F. Wagner and James M. Mead and the 26 Representatives from New York City, Thomas Jefferson Miley, Secretary of the Association, urged their support in passing the bill, saying the time now has been reached when the railroads should, with all fairness, be relieved of the necessity of giving the Federal Government the benefit of reduced transportation rates because of the ancient land-grants when the country was in the stage of development. Mr. Miley said:

"The Government of the United States should no longer insist upon being favored in the matter of transportation charges at the expense of the railroads and the civilian shippers who use their services. The principal opponents to the passage of the bill seem to be the Army and Navy Departments.

"It seems obvious that the revenues lost to the railroads by reason of carrying this government freight, which is running in large volume at the present time at land-grant reduced rates, must be contributed by the shipping public generally if the railroads' revenues are to be maintained."

The Transportation Act of 1940 repealed land-grant rates, except as to the transportation of military or naval property of the United States. If the pending bill becomes law, land-grant rates will be repealed in their entirety, says the Association.

"Little Steel" Wage Increase Characterized As Major Defeat To Price Control Program

The action of the National War Labor Board in granting a wage increase to the employees of the four so-called "Little Steel" companies was characterized as representing a major defeat in the struggle for enforcement of the Government's program of price control, by the Guaranty Trust Company of New York, in discussing the position of labor in the war effort in the July 27 issue of the "Guaranty Survey," its monthly review of business and financial conditions.

"Although the amount of the increase is less than half of that demanded by the union, the Board's decision, taken in the face of the admitted fact that steel wages were already considerably higher than the average in manufacturing industries, tends strongly to confirm the view that administrative action alone is not sufficient to check the upward wage-price spiral," said the "Survey," which continued:

"The defeat suffered by the President's stabilization program in this case leaves little hope for effective price regulation under the present set-up. The Government now apparently faces the difficult alternative of abandoning all serious effort at price stabilization or resorting to more drastic methods of wage control.

"The whole situation illustrates the difficulty with which a large and loosely organized nation adapts itself quickly to the stern necessities of an emergency such as we are now facing. There is no doubt as to the fundamental patriotism of the vast majority in the ranks of labor, as well as of management. The great danger lies not in lack of patriotism but in lack of appreciation of the gravity of our position and of the tremendous magnitude of the task that has been thrust upon us. The requirements of that task leave no room for the easy optimism with which too many of the American people still regard the outlook. The cost of victory will be very high, and it must be shared by every individual and every group among us.

"These conditions emphasize the potency of the forces that are operating to exert an upward pressure on the wage level and cast strong doubt on the possibility of achieving even a reasonable degree of price stability without some form of direct and enforceable control over rates of pay. This doubt has become almost a certainty with the failure of present voluntary methods of regulation to meet the critical test provided by the wage dispute in the steel industry.

"The test was critical for two main reasons. First, the fact-finding panel of the War Labor Board recognized that both weekly and hourly wage rates in the steel industry were substantially higher than comparable rates in the manufacturing industries as a whole, so that by no stretch of the imagination could steel wages be deemed to require adjustment on the ground that they were below the general level. Second, it is a well-known fact that wages in the steel industry are widely regarded as constituting a sort of standard by which rates of pay in other industries tend to be measured, and that, as one of the steel companies has pointed out, increases in steel wages in the past have 'spread like wildfire' through other industries.

"The Board based its decision on the view that the cost of living advanced 15% from the beginning of 1941 to May, 1942, while wages received by the workers concerned rose only 11.8% during the same interval, so that a further increase in wages was required to re-establish the 'peace-time standard' of real wages or purchasing power. It is axiomatic, however, that peace-time standards cannot be maintained in time of war and that the preservation of such standards for selected groups can be achieved only by increasing the sacrifices imposed on other groups. Since wage-earners and their dependents constitute a majority of the population, the rule laid down by the Board is clearly impracticable as a general method of regulating incomes in such a way as to contribute to price stability."

With respect to the strong position of labor, the "Survey" says:

"Rising wages and rising costs, with their threat to price stability, are not entirely due to legal requirements and union demands. The upward trend of wages arises in part from the competition of employers for the available labor supply. This competition is apparently resulting in a high rate of labor turnover and some interference with war production. Similar situations in other belligerent countries have been met by legal restraint on shifts of occupation. Thus far, no similar action has been taken in this country. The possible necessity of some such step, however, is being more and more widely discussed as the problem becomes more difficult.

"Unquestionably the major achievement in the field of labor relations since the war began has been the renunciation by labor organizations of the right to strike. This step was taken voluntarily by the national organizations; and, although it has not been universally followed by local unions, observance has been general enough to create a situation incomparably better than that which existed prior to our entry into the war and to forestall much of the gathering pressure for legislation to outlaw suspensions of output in war industries."

Commenting on the 40-hour week the "Survey" said:

"Agitation for suspension of the 40-hour week also continues, despite the severe defeat suffered by the proposal in Congress a few months ago and the opposition voiced by some Government officials primarily interested in promoting war production. Support for the 40-hour week at present appears to come chiefly from two sources: first, labor organizations and advocates, who fear the loss of the 'social gains' of recent years; and second, public officials, who fear to disturb existing labor relations and reopen old controversies.

"It is widely recognized that, under present conditions, the 40-hour week is not primarily a limitation on hours but a minimum wage measure. While maintaining the 40-hour limit by law, the Government is, at the same time, urging maximum use of industrial facilities and manpower. The result is that the number of hours worked in war industries is generally well in excess of 40 a week but that payment of overtime rates is required by law. Available reports indicate that, while the 40-hour rule does not limit work to 40 hours, it has a restraining influence on overtime employment. In areas and industrial divisions where there is no labor shortage, this restraint does not necessarily curtail war output, since additional labor can be employed as an alternative to overtime work. Under such conditions, the principal effect of the legal limitation is to raise the cost of production, the price level, and the cost of the war to the Government. But where labor shortages are or may subsequently be encountered, no such supplementary employment is possible and enforced overtime pay may restrict total hours of plant operation and hence the aggregate volume of war output. The problem will, in all probability, grow more serious as labor shortages increase."

Sales Tax Urged By N. Y. Chamber Of Commerce Before Senate Committee

In a renewed plea for the sales tax to meet the Government's requirements in financing the war, W. J. Schieffelin, Jr., urged upon the Senate Finance Committee on Aug. 6, the imposition of such a tax incident to the Committee's task of formulating its proposals in the pending tax bill. Mr. Schieffelin, representing the New York Chamber of Commerce, presented to the Senate Committee the 1943 tax program of the Chamber's Committee on Taxation (of which he was formerly Chairman), and in a preliminary statement said:

"Before presenting the N. Y. Chamber's brief specific tax proposals our Committee on Taxation has asked me to make the following statements:

"While the good of the country required that heavier taxes should have been in effect months ago, it is the belief of our Tax Committee that it might now be better to pass a bill smaller than the House Bill by reducing proposed normal corporation taxes from 45% to 40%, by reducing proposed individual taxes somewhat, and with *no increases* in present excise taxes, and then immediately after election to raise the required balance by a graduated retail sales tax.

"With reference to such tax, I have the following statement made to me direct on July 14th by one of the leading members of the Ways and Means Committee: 'My belief is that if the Senate writes a sales tax into the 1942 Revenue Bill, the House will accept it, although you can understand why many members of the House would prefer not to vote on that issue at this time.' This leads us to the further thought that, late though it is, it may prove to the country's benefit to have no tax bill at all until after election, rather than a bill to go into effect in September or October dominated by election politics.

"In brief we believe a tax bill along the lines recommended below should go into effect as soon as humanly possible; if election politics make such a bill impractical immediately, then a delay of one or two months is preferable to a partial disruptive tax law.

"We are glad your Committee has shown the same courage and good sense as the House in turning down those parts of the Treasury's program which would have no effect on checking inflation, and which would be disruptive, namely, mandatory joint returns, tax exempt State and Municipal bonds, and depletion allowance on oil wells and mines.

"Mr. Morgenthau's anti-inflation *aim* is sound, but his continued effort to shield the majority of the voters, in whose hands lies most of the increased spending power, from bearing a greater share of the country's burdens, will not work. Either those with more money to spend and others will be taxed more heavily, or ultimately inflation will more than wipe out what they think they have gained.

"We are completely with Chairman George in his effort for a drastic tax law that will make another next year unnecessary, so that the millions of good Americans whose time and efforts are now befuddled by tax uncertainties can buckle down 100% to winning the war. If election miasma makes such a bill impossible within the next few weeks, please stand up and tell the country so, and tell them that in November you will pass the stunning bill demanded by the times to whip the enemy and to keep our money good."

As bearing on the tax program of the Chamber's Committee, Mr. Schieffelin stated that "as far back as last February our Chamber unanimously approved that seven new billions of revenue should be aimed at for the 1943 budget." He went on to say:

"Today, with expenditures far greater than those in view six months ago, our Tax Committee approves the proposal of the Treasury that $8,700,000,000 should be raised in addition to the at least $18,000,000,000 which the existing tax law is reliably estimated to raise in the current fiscal year. That is, the proposed program actually calls for approximately $27,000,000,000 in Federal taxes alone, in addition to about $10,000,000,000 in State and local taxes, a total tax burden for the Nation of around $37,000,000,000. While our full Chamber has not had the opportunity of voting on this, we are satisfied that its long record of advocating sound finance indicates its approval of this position of its Tax Committee."

With reference to the sales tax the statement in behalf of the Chamber's Committee said:

"The House Bill, after some reductions we recommend, leaves some $3,500,000,000 to be raised if this goal is to be attained. In our judgment the only way this additional money can be raised without seriously impeding the war effort is by:

"A nation-wide graduated general retail sales or consumption tax to be imposed at the point of final sale on all heavy as well as consumer products.

"Early this year it was estimated that a flat 5% rate would yield close to $4,000,000,000 a year. Today with rationing and so many war products removed from civilian consumption, this figure may well be reduced towards $3,000,000,000.

"This amount will be needed, as we believe the Senate will reduce the 45% Corporation Normal Tax in the House Bill to not more than 40%, and will substitute a complete Retail Sales Tax for the miscellaneous excise tax increases now in the House Bill.

"For this War Retail Sales Tax we are strongly in favor of *no total exemptions for anything*, no matter how necessary. We are inclined to believe that a 2 or 3% rate for food and possibly some other low-priced necessities, may be advisable if connected with more than the average 5% rate on high-priced items and on products containing materials essential for armaments. When we speak of higher priced merchandise we refer to single consumer items selling for $75 or $100 apiece on which the rates might well be 10% or higher.

"Such a graduated scale would permit citizens with the lowest incomes to obtain their necessities at the lowest rate and would make those whose incomes have been greatly increased by the war program pay the highest rates for such luxuries as they desire to purchase, thus tending to have the desired anti-inflationary effect.

"In operation such a tax at three rates would be scarcely more complicated than a flat rate which, of course, is the simplest. Many stores would only have to collect at one rate.

"We believe an equitable War Retail Sales Tax can be worked out on some such basis as this to raise approximately $3,500,000,000. While this is a larger amount than those familiar with distribution tell us could be raised in normal times without hurting sales and employment, we are sincerely of the belief that as a War Tax it will raise the bulk of the required new money with less hardship and dislocation than 10 or 15 or 20 other miscellaneous taxes."

The statement added:

"In making this proposal we reaffirm our urgent recommendation that excise taxes be not increased; that the tremendous revenue-producing excise taxes on certain commodities remain as they are, and that the proposed retail sales tax be added to their present retail, prices. Some of these products, particularly luxuries and products necessary for armament, should be taxed at more than the average 5%."

From the statement we also quote the following regarding the capital stock tax, capital gains and the corporation tax:

"In reaffirming our belief that the guesswork capital stock tax and related declared value excess profits tax on corporations should be abolished, we realize that revenue needs may make this unwise at present, and we heartily endorse the provision permitting annual declaration of value.

"In reaffirming our recommendation that individual capital gains and loss taxes be abolished, we also realize that present needs may make this inadvisable. We urgently recommend, however, that the principle of the Boland Bill (H. R. 6358) taxing capital gains at 10% be embodied in the present bill. If the revenue-producing arguments for this provision do not satisfy you, then we urge you to leave the capital gains taxes as they are in the Revenue Act of 1942, at 15%. We are satisfied that the proposal urged by the Treasury and embodied in the House Bill before you to raise such a tax to 25% will have such further damming effects on free private transactions that the increased rate will not produce anywhere near the expected revenue, let alone the actual loss from State and Federal Stock Transfer Stamps due to fewer transactions.

"We have stated above our belief that you will reduce the corporation normal tax to not more than 40%. We urge you to do this because: (1) at 40% the normal tax plus surtax will have been increased from two to three times over the total rates levied on corporation net income of the base period 1936-1939. (2) Many corporations have lower incomes because of the war. (3) While corporation taxes produce revenue they are not anti-inflationary because they are a primary tax against the more than 10,000,000 security owners who are already highly taxed personally and whose purchasing power has in general decreased, but they do not touch the great mass of industrial workers and farmers who have received an increase of $15,000,000,000 in their income. (4) Finally, because of war-time uncertainties it is essential that business concerns, particularly small ones, be allowed to build up large reserves to take care of innumerable future contingencies."

"As to a withholding tax," said Mr. Schieffelin, "we have advocated such a tax for the past two years as an alternative to a retail sales tax." He further added:

"Today we feel that with greatly increased individual rates and a drastic graduated retail sales tax, the imposition of a withholding tax, sound in the principle that it gets revenue into the Treasury immediately and before the taxpayer has had a chance to spend it, should be deferred until our Government imposes an effective price-control law including farm prices and wages, thus insuring that the people's money will continue to buy what they need instead of being chisled away by creeping inflation."

The members of the Chamber Committee which drafted the program were: Charles B. Couchman, Chairman; Cleveland E. Dodge, George H. Coppers, Peter Grimm, Hugh Grant Straus, Edmond E. Lincoln and J. Wilbur Lewis.

U. S. Commerce Chamber Proposes Tax Program To Yield More Revenue, Yet Not Cripple Business

According to the Chamber of Commerce of the United States a tax program could be framed for the duration of the war so as to yield considerably more revenue than proposed in the House bill now before the Senate Finance Committee and still not cripple business. The Chamber made this assertion on Aug. 7 in its periodical, the "Washington Review."

Detailed tax recommendations were presented to the Senate Committee on Aug. 12 by the Chamber. In its "Review" the Chamber said:

> Now that business men have had an opportunity to study the bill passed by the House and to develop a fuller understanding of its import they are becoming increasingly apprehensive. They realize the necessity of financing a large portion of the cost of the war from current revenues, but they express fear of the dangers of taxes that may dangerously cripple the private enterprise system. They call for a well-rounded program of war taxation. They are wondering why the impact of the measure upon individuals is so largely limited to existing income taxpayers, who account for only about a third of the national income.
>
> Business men favor adequate utilization of the nation's resources, financial as well as material, to further the prosecution of the war. To this end they urge taxation to raise the maximum revenue without deterring war production or subverting the system of free enterprise; they believe the burden must be equitably distributed throughout the entire population. In furtherance of these objectives it would seem a tax program could be framed for the duration of the war to yield considerably more revenue than the House bill. The major differences would be:
>
> 1. Less drastic increases in individual and corporation income taxes.
>
> 2. An excess profits tax limited to true excess profits, with rates at the maximum practicable level.
>
> 3. A withholding tax on payments to individuals for dividends, interest, salaries and wages, such tax to be in addition to taxes upon net income.
>
> 4. A general retail sales tax, graduated, if need be, to differentiate between essentials and less necessary articles.
>
> 5. Permission to corporations and individuals to retain tax-free reserves essential to meet the strain of the post-war period.
>
> 6. Additional technical and administrative amendments necessary to make the revenue system function more equitably.
>
> It is now clear that the major complaints are that the program proposed in the House bill would:
>
> Add new intricacies to our over-complicated tax laws;
>
> Provide inadequate revenue;
>
> Derive nearly 90% of its increased revenue from existing income taxpayers;
>
> Push individual income tax rates to points beyond maximum productivity and threaten many individual taxpayers with bankruptcy;
>
> Tax normal earnings of corporations beyond the maximum consistent with efficient war production or their survival as going businesses;
>
> Impose inordinate levies upon so-called excess profits, without adequate differentiation between real excess and normal earnings;
>
> Make no provision for post war credits or other necessary reserves;
>
> Operate inequitably against capital gains realized by corporations;
>
> Make no provision, despite its exceedingly heavy tax rates, to relieve corporations and individuals with heavy indebtedness or other fixed commitments;
>
> Have unduly harsh effects upon corporations operating on a fiscal-year basis."

Bank Auditors Ass'n Cancels Convention

Cecil W. Borton, President of the National Association of Bank Auditors and Comptrollers, announces the cancellation of their 18th Annual Convention, which was scheduled to be held in New York City, Oct. 8, 9, 10. President Borton has written a letter to all members and outlined the reasons for cancellations. His letter urges the membership to carry on the work and progress of past years by expanding the program through a wider use of the present Standing Committees. From Mr. Borton's letter we quote:

"Several factors were considered by the Committee in making its decision, chief of which was the request of Joseph B. Eastman, Director of the Office of Defense Transportation, that all organizations with a large membership cancel or skeletonize their conventions in order not to interfere with the movement of troops and supplies. The Committee felt that the entire membership would concur in this action because of the desire to give the Government our wholehearted support and cooperation.

"Banks throughout the country are contributing in many ways to the all-out war effort—in men, time, and money. Many of our members would necessarily have had to forego this convention because of the fact that they remain continually at their posts.

"Although the convention has been called off, it is the intention to carry on our work and continue the progress of past years. War means curtailment in many activities, but the Executive Committee desires that we expand our program through a wider use of the Standing Committees by the membership. These Committees provide the facilities for obtaining information and answers to many current problems."

Strikes Up Sharply Since Pearl Harbor

The number of strikes in war industries has increased from 27 in January to 192 in June, an increase of 611%, according to the National Association of Manufacturers. The men involved in these strikes was 11,605 in January and 84,775 in June, said the Association Aug. 1; it added:

"The number of man-hours lost in war production industries, because of strikes, has increased from 369,576 in January to 2,037,224 in June, a total of 15%. During the first six months of 1942, 7,176,344 manhours have been lost in war industries because of strikes. This figure does not include the time lost by other workers because of the interruption of productive processes in plants dependent upon strike-bound suppliers. There is no way of estimating these indirect losses accurately, but we know from a number of individual cases that it has been considerable. While strikes are less frequent and involve less loss of time than in 1941, there has been an alarming increase in strikes since January. Many of the strikes in 1942 have been jurisdictional disputes and unauthorized strikes.

Roosevelt Names Special Committee To Study Rubber Situation; Vetoes Ind'p'nd'nt Agency Bill

President Roosevelt vetoed on Aug. 6 the bill creating an independent agency to handle the production of synthetic rubber from grain, explaining that it would "block the progress of the war production program, and therefore the war itself."

At the same time the President set up a three-man committee, headed by Bernard M. Baruch, to investigate the whole rubber situation and "to recommend such action as will produce the rubber necessary for our total war effort, including essential civilian use." The other members of this investigating committee are Dr. James B. Conant, President of Harvard University, and Dr. Karl T. Compton, President of Massachusetts Institute of Technology. The group is directed to study the present supply, the estimated military and essential civilian needs and the various processes now being urged. Mr. Roosevelt called on the committee to report at the earliest possible moment asserting that their findings "will form a basis for future action not only with respect to synthetic rubber but also such matters as nation-wide gas rationing and motor transportation."

In vetoing the Congressional farm bloc-sponsored bill, the President listed the following as his principal reasons:

1. It would break up the existing "logical coordination of centralized control" in the War Production Board.

2. It would override all the priorities established by the WPB "for materials necessary to manufacture all the other hundreds of products essential in war."

3. "It provides that even civilian needs of rubber—for pleasure driving, joy-riding — must be given consideration, for the bill sets forth the duty of the new agency to furnish rubber in quantities sufficient 'to meet the military and civilian needs of the United States' irrespective of the relationship of such civilian needs to winning the war."

The President in taking exception to other provisions of the measure said "the proposed bill not only provides for a complete supply of rubber for any and all purposes, but it also directs that the new agency shall have the duty to 'make available at the earliest possible time an adequate supply of alcohol produced from agricultural products to meet any military or civilian need of alcohol in the United States.'" In part the President continued: "It is true that we have great grain reserves at present; but we must bear in mind that there is a steadily increasing demand for grain for the making of food for the Army and Navy and Air Force—not only of the United States, but of all the United Nations. . . . "Therefore, the need of grain for food, instead of unlimited rubber or alcohol, is something which must also be taken into consideration by those charged with the over-all responsibility of the entire war production effort."

Passage of the bill by Congress was reported in these columns July 30, page 376.

The President's veto message follows:

"I return herewith, without my approval. Senate 2600, a bill 'To expedite the prosecution of the war by making provision for an increased supply of rubber manufactured from alcohol produced from agricultural or forest products.'

"This bill would create a new independent agency to be known as the Rubber Supply Agency to be headed by a Director of Rubber Supplies. The new agency is directed to 'make available at the earliest possible time an adequate supply of rubber which, when added to the rubber being supplied by other agencies, will be sufficient to meet the military and civilian needs of the United States.' To perform this duty, the agency is empowered to provide the necessary plants, equipment, machinery, materials and supplies for the making of synthetic rubber. In order to get such plants and machinery, the Director is given power to obtain any necessary materials, and is given priority for them over all other private plants engaged now or later in making implements of war.

"In other words, by legislative fiat, the manufacture of synthetic rubber is ordered in quantities large enough to satisfy any and all civilian needs; and absolute priority is given to obtain scarce materials for this purpose, in preference to any other military needs as scheduled by the War Production Board, or called for by the armed forces.

"The approval of this bill would, in my opinion, block the progress of the war production program, and therefore the war itself.

"The Congress of the United States has heretofore definitely laid down the policy, approved by the President, that in order to carry on a unified, integrated and efficient program of war production, it is necessary to centralize the power to determine the priorities of materials not only between military and civilian needs, but also among competing military needs. This power to fix priorities for the use of scarce materials has been vested by the Congress in the President of the United States, and has been delegated by him to the War Production Board. Experience in other wars, as well as in the present conflict, has proven beyond doubt that simplification of power with respect to the use of critical materials is essential to speed and efficiency. In fact, without this, there can result only conflict and delay.

"On the War Production Board there are now represented all of the government agencies concerned with the supply and use of materials for civilian needs in the United States and for the military needs of ourselves and our allies in this war. To this board, therefore, can be presented all of the many conflicting military and civilian demands for materials of which there is not enough to go around. One of the responsibilities and functions of the Chairman of the War Production Board is to determine, in the light of the many demands and inadequate supplies, which requirements must be filled first—considering, as we must, that the sole objective is victory in this war.

"Obviously, it is only after all of the reasonable military requirements have been met, that the civilian needs can even be considered.

"This bill would immediately break up that logical coordination of centralized control, and would set up a new agency with power and duty to manufacture alcohol and rubber, and to override all the priorities established by the War Production Board for materials necessary to manufacture all the other hundreds of products essential in war. It goes much further than that. It provides that even civilian needs of rubber—for pleasure driving, joy-riding—must be given consideration, for the bill sets forth the duty of the new agency to furnish rubber in quantities sufficient 'to meet the military and civilian needs of the United States' irrespective of the relationship of such civilian needs to winning the war.

"The War Production Board has adopted a program for making synthetic rubber, and is now operating under it. In doing so, it has endeavored to operate on the basis of estimated military needs for rubber and those civilian needs which are essential. By the phrase 'essential needs' are meant those needs of civilians who require rubber in work directly related to the war effort—for example, driving to war production plants in automobiles where other transportation is not readily available. It includes also certain necessities for the community, like getting milk to the consumer or children to school.

"In order to produce any substantial amount of synthetic rubber, new plants must be constructed or old plants converted. In formulating its program, therefore, the War Production Board has, of course, taken into consideration the amount of critical materials which can be diverted from other vital needs of the war program to build the plants to produce synthetic rubber.

"In its program, the Board has allocated a certain amount of rubber to be produced from agricultural products, and a certain amount to be made from petroleum. Both types of plants—those using farm products and those using petroleum—are now being constructed, and others are planned to be constructed month by month, at the greatest possible speed.

"Every one of these plants and all the machinery to be installed in them will require large quantities of certain materials of which there is great scarcity and which are sorely needed for other war purposes. They will require steel plate, other steel, copper, bronze and brass. Remember that every time steel plate is used for a synthetic rubber plant, just so much is being taken away from ships, tanks, high octane gasoline plants and munitions plants. These rubber plants will also require compressors which are so badly needed to manufacture ammonia and other components of explosives. Every pound of copper taken for rubber plants and their equipment will mean fewer shells and less ammunition for our fighting forces.

"In spite of the shortage of materials, however, we know that plants must be built to manufacture synthetic rubber, because rubber is necessary for our fighting machine, and for our production machine as well. I am just as determined as anyone to get that rubber—and to get it as quickly as we can. But it is necessary to weigh the need for factories to care for civilian luxuries against the needs of our fighting forces.

"Therefore, to take the determination of this question away from a board which is equipped by personnel, and by experience, and by an overall knowledge of all our military and civilian needs, and to place it in an agency which is concerned principally with the manufacture of only one commodity, rubber, is in itself a disruption of a unified and expeditious production program. To go further, and to say that these materials can be taken away from ships and guns and ammunition and put to work producing rubber, so that some people might use it for automobiles for idle-hour pleasure, is to fly in the face of the realities of the present grave military situation which threatens all the world and civilization itself.

"It is a gross distortion of our war production policy and a repudiation of our all-out effort to win the war, to say that any critical material can be taken away from military purposes and devoted to non-essential civilian demand. I am sure that not one loyal American would wish to take an ounce of critical war material of any kind in order to insure the use of his own automobile for anything but essential war needs.

"There is one other commodity—of supreme importance—which is involved in this question of synthetic rubber. That is food.

"The proposed bill not only provides for a complete supply of rubber for any and all purposes, but it also directs that the new agency shall have the duty to 'make available at the earliest possible time an adequate supply of alcohol produced from agricultural products to meet any military or civilian need of alcohol in the United States.' In addition to the further consumption of critical materials for the construction of any new alcohol plants which the new agency may determine to be necessary, this provision may require the consumption of many millions of bushels of grain. Even the process of making synthetic rubber under the present program, now actually under way, will require almost one hundred million bushels of grain.

"It is true that we have great grain reserves at present; but we must bear in mind that there is a steadily increasing demand for grain for the making of food for the Army and Navy and Air Force—not only of the United States but of all the United Nations. In the event of a serious drought next year like those of 1934 and 1936—which is always a possibility—our reserves of grain may not be sufficient to cover the requirements both for food and for unlimited alcohol and rubber. Therefore, the need of grain for food instead of unlimited rubber or alcohol is something which must also be taken into consideration by those charged with the overall responsibility of the entire war production effort.

"The processes for making synthetic rubber are now in a state of flux. Some of them are in the purely experimental stage, others have been demonstrated to have varying degrees of efficiency.

"It is obviously impossible to determine in advance just which process will eventually prove to be the most desirable, taking into consideration the elements of speed, efficiency of production, and consumption of critical materials. Even the processes for making synthetic rubber out of grain are several in number, and new ones are being presented from time to time. The whole question of which process to use is tied up with the question of the most strategic use of the materials which are at hand or which can be obtained. Determination in this more or less uncharted area should have the advantages of the flexibility of administrative action rather than be frozen by legislative mandate.

"It may well be that serious mistakes have been made in the past, based either on misinformation, misconception, or even partiality to one process or another. It may be that the present program of the War Production Board is not the best solution. If so, the facts should be ascertained and made public. This is particularly so, if it be true, as charged by some persons in the Congress and outside the Congress, that the manufacture of synthetic rubber from grain has been hamstrung by selfish business interests.

"The question of rubber for automobiles is an unusually important one because it so intimately affects the daily lives and habits of so many American citizens. The very passage of the present ill-advised bill is an indication of the overwhelming interest which the American people have in this problem.

"I am sure, however, that once they are given the full facts as to the supply of rubber and the military and essential civilian needs for rubber, and the amount of materials required for the production of an adequate supply of synthetic rubber, they will be wholly willing to forego their own convenience or pleasure. Americans gladly give up their comforts, their time, their money—everything that seems necessary to the successful prosecution of the war effort. They freely and proudly make the greatest sacrifice of all—their own sons and brothers.

"In recent months there have been so many conflicting statements of fact concerning all the elements of the rubber situation—statements from responsible government agencies as well as from private sources—that I have set up a committee of three men to investigate the whole situation—to get the facts—and to report them to me as quickly as possible with their recommendations.

"This committee will immediately proceed to study the present supply, the estimated military and essential civilian needs, and the various processes now being urged; and they will recommend processes to be used, not only in the light of need for rubber, but also in the light of critical materials required by these processes. In a sense this will require a review of the program now being followed by the War Production Board. It will form a basis for future action not only with respect to synthetic rubber, but also such matters as nation-wide gas rationing and motor transportation. The responsibility for the distribution of critical materials will continue to remain with the War Production Board; but the board, as well as the American people, will have a complete statement before them of the facts found by the committee.

"This unusual investigation is being directed because of the interest of the American people in the subject, because of the great impact of the lack of rubber upon the lives of American citizens, and because of the present confusion of thought and factual statement.

"In the meantime, of course, the manufacture of synthetic rubber from oil and grain will continue without interruption.

"The functions of this committee require not only experience in business and production and the relations of government thereto, but also trained, scientific minds. Therefore, I am appointing as members of this committee, Honorable Bernard M. Baruch, Chairman; Dr. James B. Conant, President of Harvard University; and Dr. Karl T. Compton, President of Massachusetts Institute of Technology. They will be equipped with adequate staff and will, I know, submit their report at the earliest possible moment. I am asking them to investigate the whole situation, and to recommend such action as will produce the rubber necessary for our total war effort, including essential civilian use, with a minimum interference with the production of other weapons of war."

FRANKLIN D. ROOSEVELT.
The White House,
Aug. 6, 1942.

Clarke of NY Bankers Ass'n In Army

The Executive Committee of the New York State Bankers Association has granted a leave of absence to Harry H. Clarke, Assistant Secretary, who has been commissioned a First Lieutenant in the Army and who will report to the Office of Chief of Finance, Washington, for duty Aug. 19.

Six Nazi Saboteurs Executed—Supreme Court Upheld President's Power To Deny Civil Trial

Six of the eight Nazi saboteurs, who were apprehended after landing from submarines on the Atlantic Coast, were electrocuted on Aug. 8 in the District of Columbia jail. The death sentence for the other two was commuted by President Roosevelt to confinement at hard labor—one for life and the other for 30 years—in recognition of their assistance to the Government in convicting the others. The seven-general Military Commission, which had been appointed by the President to try the Nazi saboteurs, had found that all were guilty and recommended the death sentence in six cases and life imprisonment for the other two. The White House announcement also explained that the records in all cases will be sealed until the end of the war.

The United States Supreme Court unanimously upheld on July 31 President Roosevelt's wartime power to close the civil courts to applications of seven of the saboteurs and to appoint a Military Commission to try them. The Supreme Court was convened in a special session on July 29 to receive petitions for writs of habeas corpus on behalf of the saboteurs on trial before the Military Commission appointed by President Roosevelt.

Those electrocuted were Heinrich Harm Heinck, Richard Quirin, Edward John Kerling, Hermann Otto Neubauer, Herbert Hans Haupt and Werner Thiel. Ernest Peter Burger received the life sentence, and George John Dasch the 30-year term.

The White House statement of Aug. 8 follows:

"The President completed his review of the findings and sentences of the Military Commission appointed by him on July 2, 1942, which tried the 8 Nazi saboteurs.

"The President approved the judgment of the Military Commission that all of the prisoners were guilty and that they be given the death sentence by electrocution.

"However, there was a unanimous recommendation by the Commission, concurred in by the Attorney General and the Judge Advocate General of the Army, that the sentence of two of the prisoners be commuted to life imprisonment because of their assistance to the Government of the United States in the apprehension and conviction of the others.

"The commutation directed by the President in the case of Burger was to confinement at hard labor for life. In the case of Dasch, the sentence was commuted by the President to confinement at hard labor for 30 years.

"The electrocutions began at noon today. Six of the prisoners were electrocuted. The other two were confined to prison.

"The records in all eight cases will be sealed until the end of the war."

Chief Justice Harlan F. Stone called the extraordinary term after the eight Associate Justices had agreed to the session. The announcement of a special session was made on July 27 shortly after the defense completed the presentation of its evidence and rested its case. On this the 16th day of the trial, the prosecution, conducted by Attorney General Francis Biddle and Maj.-Gen. Myron C. Cramer, Judge Advocate General of the Army, also rested its case against the eight Nazi saboteurs who were arrested after landing from submarines on the coasts of Long Island and Florida. The opening of the trial by the Military Commission was reported in these columns July 16, page 188.

The action taken by the defense counsel, Col. Cassius M. Dowell and Col. Kenneth Royall, to seek recourse in the Supreme Court was in keeping, it is stated, with their sworn oaths to demand all possible rights for the defendants.

Regarding the Supreme Court's conclusions, Associated Press accounts from Washington July 31, stated:

"The charges preferred against the men—that they slipped into America in rubber boats from German submarines, armed with explosives to blast war production plants—allege an offense which, the court said, 'the President is authorized to order tried before a Military Commission.'

"Chief Justice Stone announced that the Court had denied the prisoners' motion for leave to file petitions for writs of habeas corpus.

"Only seven of the eight accused saboteurs sought the writ.

"The Court's memorandum opinion found:

" '1. That the charges preferred against petitioners on which they are being tried by a Miltary Commission appointed by the order of the President on July 2, 1942, allege an offense or offenses which the President is authorized to order tried before a Military Commission.

" '2. That the Military Commission was lawfully consituted.

" '3. That petitioners are held in lawful custody, for trial before the Military Commission and have not shown cause for being discharged by writ of habeas corpus.'

"The memorandum opinion then said:

" 'The motions for leave to file petitions for writs of habeas corpus are denied. The orders of the District Court are affirmed. The mandates are directed to issue forthwith.'

"(The orders of the District Court of the District of Columbia denied petitions by the seven defendants for writs of habeas corpus. Justice Morris in the District Court decided on Wednesday (July 29) that as subjects, citizens or residents of a nation at war with the United States, the defendants are not privileged to seek any remedy or maintain any proceedings.)

"The Supreme Court's announcement explained:

" 'The Court has fully considered the questions raised in these cases and thoroughly argued at the bar, and has reached its conclusion upon them.

" 'It now announces its decision and enters its judgment in each case, in advance of the preparation of a full opinion which necessarily will require a considerable period of time for its preparation and which, when prepared, will be filed with the clerk.' . . .

"It was understood that the Justices left immediately to resume their interrupted vacations and they probably will not meet again to draft the opinion until fall. The opinion probably will be delivered on one of the regular onday decision days of the term starting in October.

"Lawyers said that the delay in delivering the opinion would furnish no valid grounds for the defense obtaining a stay of execution of any sentence, since the memorandum decision handed down today was conclusive, was accompanied by decision and the mandate effectuating it was issued. The comprehensive decision would amplify reasons supporting the result.

"The trial of the eight defendants was resumed by the Military Commission today without waiting for the decision of the Supreme Court, which was expected at noon. Attorney-General Biddle, the prosecutor, elated over the Supreme Court's ruling, said that the arguments before the commission would be concluded speedily and that the commission might be able to report a verdict to the President early next week. The trial began on July 8."

Treasury Offering Oversubscribed

The Treasury Department announced on Aug. 11 that preliminary reports as to the offering on Aug. 6 of $1,500,000,000, or thereabouts, of ⅞% Treasury Certificates of Indebtedness of Series B-1943 showed cash subscriptions in excess of $3,273,000,000. The Treasury said that allotments would be made 48% on a straight percentage basis but not less than $25,000 on any one subscription, with adjustments where necessary to the $1,000 denomination. Subscriptions up to and including $25,000 are being allotted in full.

The policy of keeping subscription books open for two days (Aug. 6 and 7) and in allotting in full subscriptions up to $25,000 was followed, the Treasury explained, "in order to insure more extensive participation on the part of banks, corporations, and others interested in a type of security carrying maturities longer than Treasury bills."

The latest issue of certificates dated Aug. 15, 1942, will be payable on Aug. 1, 1943, and will bear interest at the rate of ⅞% per annum, payable on a semi-annual basis on Feb. 1 and Aug. 1, 1943.

The current offering marked the third time this year that this type of security has been offered by the Treasury. In June $1,500,000,000 of ⅝% 7-month certificates of indebtedness were sold (see issue of June 25, page 2398) and in April another $1,500,000,000 of ½% 6½-month certificates were sold (referred to in our April 9 issue, page 1444.) The Treasury this year resumed issuance of these obligations after a lapse of eight years in response to a demand on the part of corporations, banks and other investors for a security with longer maturity than Treasury bills, in which to invest current accumulations of business funds.

The Victory Fund organization, composed of nearly 20,000 representatives of the banking and securities industries working on a voluntary basis through Federal Reserve districts and regional committees, assisted in the distribution of this issue, as well as the "tap issue" offered earlier last week.

Secretary of the Treasury Morgenthau on Aug. 5 issued a statement praising the Victory Fund Committees for helping the Treasury in promoting the sale of war securities.

Recalling the policy of selling as many securities as possible to investors besides banks, Mr. Morgenthau said these committees were helpful in advising other than bank investors of the terms and advantages of buying various issues.

"This enabled the Treasury," he added, "to borrow from the large reservoir of spendable funds to finance the war effort."

In connection with the subscriptions to the 2½% Treasury Bonds of 1962-67, the so-called "tap issue," which were offered on Aug. 3, and books for which still remains open, sales in the first five days totaled $964,778,800. This offering represents a reopening of the issue sold in May to the amount of $882,078,700. At that time the offering was open for ten days. These bonds are not available for subscription by commercial banks accepting demand deposits but are designed especially for insurance companies, trust companies, business corporations and large individual investors. The reoffering of these bonds was noted in our Aug. 6 issue, page 460.

The Treasury's circular describing the certificate offering follows:

UNITED STATES OF AMERICA

⅞% Treasury Certificates Of Indebtedness Of Series B-1943

Dated and bearing interest from Aug. 15, 1942 Due Aug. 1, 1943

1942
Department Circular No. 693

Fiscal Service
Bureau of the Public Debt
TREASURY DEPARTMENT,
Office of the Secretary,
Washington, Aug. 6, 1942.

I. Offering Of Certificates

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated ⅞% Treasury Certificates of Indebtedness of Series B-1943. The amount of the offering is $1,500,000,000, or thereabouts.

II. Description Of Certificates

1. The certificates will be dated Aug. 15, 1942, and will bear interest from that date at the rate of ⅞% per annum, payable on a semi-annual basis on Feb. 1 and Aug. 1, 1943. They will mature Aug. 1, 1943, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certifcates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes and will not bear the circulation privilege.

4. Bearer certificates with two coupons attached will be issued in denominations of $1,000, $5,000, $10,000 and $100,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. Subscription And Allotment

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions and security dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions and security dealers will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 5% of the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including $25,000 will be allotted in full. The basis of the allotment on all other subscriptions will be publicly announced, and allotment notices will be sent out promptly upon allotment.

IV. Payment

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made or completed on or before Aug. 15, 1942, or on later allotment. In every case where payment is not so completed, the payment with application up to 5% of the amount of certificates applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. General Provisions

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definite certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Agricultural Department General Crop Report As Of August 1

The Crop Reporting Board of the United States Department of Agriculture, made public on Aug. 10, its forecasts and estimates of the grain crop of the United States as of Aug. 1, based on reports and data furnished by crop correspondents, field statisticians and cooperating State Boards (or Departments) of Agriculture. We give below the report in part:

Crop prospects in the United States are the best on record for this time of year. Growing conditions during July were outstandingly favorable for cotton and forecasts for most field crops except rice and sweet potatoes have been raised 1 to 5%. Corn deteriorated locally from dry weather in the South but improved markedly in the North where earlier weather was too cool, and the crop is now estimated at 2,754,000,000 bushels. This is 126,000,000 bushels above expectations a month ago and would be the largest corn crop since 1932. Small grains suffered from wet weather and harvesting losses in Missouri, Illinois, Indiana and Ohio, but unexpectedly good yields are being reported from States farther north and west and large areas report the best crops ever harvested. Wheat production is now estimated at 955,000,000 bushels, which would be more wheat than has been harvested in any year except 1915.

Grass in hay meadows and pastures has made a big growth. Haying has been delayed by the scarcity of labor and much hay has been damaged by rain but it is probable that a record tonnage will be saved before the end of the season. Pastures are better than they have been in any August since 1920. Ranges in Arizona, West Texas and some other southwestern areas need rain, but in most sections they carry an abundance of feed; the grass on the ranges in some States is so tall that millions of tons of additional hay could be cut if there were cattle enough to consume it and men enough to do the extra work.

With good growing conditions in nearly all States and a full output needed, the total volume of crops produced is expected to be about 21% above the predrought average. This favorable showing is due primarily to prospects for crop yields per acre about 28% above the average during the predrought decade (1923-32) and 6% higher than in any past year. With no unusual losses during the remainder of the season, the area of crops harvested should total about 348,000,000 acres which would be 10,000,000 acres more than were harvested last year and 22,000,000 more than in 1939, but still 16,000,000 below the all-time peak reached during the economic depression in 1932.

Present indications are that grain production this season will be greater than in any other year except 1920. The August crop forecasts include 2,754,000,000 bushels of corn and 1,332,000,000 bushels of oats which would be the biggest oats crop since 1925. Due primarily to favorable moisture conditions in the Great Plains States, the yield of wheat is expected to be 2 bushels per acre more than in any previous year. In Western Kansas where production exceeds anything previously reported, some 15,000,000 bushels of this year's crop was temporarily piled on the ground because of the lack of storage space. The barley crop, estimated at 417,000,000 bushels and the rice crop of 74,000,000 bushels are expected to be 16 and 35%, respectively, larger than in any previous year. The rye crop is expected to be the largest and grain sorghums the second largest in 20 or more years.

The production of the principal oil seeds, needed to replace former imports, now seems likely to considerably exceed earlier expectations. With cotton expected to give the second largest yield per acre ever harvested, the production of cottonseed should be around 5,800,000 tons, about an average crop, notwithstanding the small acreage being grown. The production of other oilseeds has been increasing rapidly and the forecasts for this year include 42,000,000 bushels of flaxseed, 186,000,000 bushels of soybeans, and 2,800,000,000 pounds of peanuts, making a total of 13,977,000 tons of the four crops together. Compared with production last year, the increases in prospect are: cottonseed 22%, flaxseed 32%, soybeans 74%, peanuts 90% and the four crops combined 45%. These increases will add materially to the supply of fats and oils. They will also affect the volume and geographic distribution of the oil meal supply and cause some changes in feeding practices.

Other crops of which production is being increased markedly to meet war-time needs include dry beans, dry peas, sugar beets, sugarcane and several vegetables for canning, chiefly peas, tomatoes and sweet corn. Dry beans show prospects for a record yield per acre on a record acreage, indicating a crop of 20,600,000 bags or 15 pounds per capita. The yield of peas is about 46% above the 10-year average and production, at 7,000,000 bags, is 168% above average. The production of sugar and sirup crops is expected to be 25% to 35% above production last year.

Several crops including potatoes, sweet potatoes, and tobacco, have been little affected by war needs. Yields per acre, however, are mostly high and production of most of these crops will be about average. So far potatoes have been particularly favored by weather conditions and the yield is estimated at 135 bushels per acre, which would be more than in any past year.

The favorable growing conditions for feed crops and pastures are helping to increase the production of livestock and livestock products to unprecedented levels. Milk production per cow on Aug. 1 was nearly 2% above production on the same date last year. The number of milk cows also continues to rise and is now about 3½% above the number a year ago. Egg production in July was 14% more than in July last year and more chickens are being raised. The numbers of beef cattle and sheep have been increasing for several years and marketings are now heavy even though numbers retained in breeding flocks and herds still appear to be increasing quite generally except in the dry Southwest. A further increase in hog production is also to be expected since the production of feed grains is now estimated at 112,000,000 tons, about 5% more than production last year. This quantity added to the large reserves on farms July 1 indicates a record supply of feed grains for the current season. In addition, there will be a largely increased supply of oil meals and a record supply of wheat, part of which could be used for feed if crops are poor next year.

Fruit production prospects showed little change during July. The combined output of peaches, pears, grapes, cherries, plums, prunes, apricots, and commercial apples is now expected to be well above average, but about 3% below last year's bumper production. New-crop citrus fruits are not far enough along for quantitative forecasts, but present indications point to record crops of oranges and grapefruit, and a large supply of lemons. Supplies of tree nuts will be well above average though materially less than last season, due mainly to a light pecan crop in Oklahoma and Texas.

Growing conditions were mostly favorable for commercial truck crops for fresh consumption during July. Ample supplies of most vegetables are in sight for the late summer and early fall markets. Excluding potatoes, carlot shipments of vegetables to date have been about 10% greater than to the same date last year. Vegetables now abundant include snap beans, cauliflower, lettuce, onions, and tomatoes. The late crop of domestic cabbage is larger than average although materially below the large crop of 1941. The supply of late cantaloups and watermelons is smaller than average.

Good yields are expected on the record-high acreage of commercial canning and processing vegetables. Production of snap beans and green peas for processing is expected to be about a third greater than the large crops of last year; other important canning crops are showing good progress.

Corn

A corn crop of 2,753,696,000 bushels is indicated on Aug. 1, a gain of 126,000,000 bushels over the July 1 forecast. A crop of this size would be 81,000,000 bushels above the 2,672,541,000 bushels produced in 1941. It would be the largest since 1932 when the total was 2,931,281,000 bushels. It would be more than 19% above the 10-year (1930-39) average of 2,307,452,000 bushels. The indicated yield per acre on Aug. 1 is 30.8 bushels, compared with 31.0 bushels last year and with 23.5 bushels average for the 10 years 1930-39.

Reduced prospects during July in the South Central and South Atlantic States were much more than offset by a better production promise in the northern part of the country, particularly in the Corn Belt. Parts of the southern areas have been aided by much needed rains since Aug. 1 and potential damage has been checked. The excellent development of an increasingly large acreage of hybrid corn in important areas of the Corn Belt promises one of the largest yields per acre on record for this area. The crop in the northern part of the country is late, and there is more than the usual danger from frost.

Moderate to serious deterioration of the corn crop occurred in South Central and South Atlantic States due to lack of rainfall and high temperatures during July. A net reduction of 29,000,000 bushels since July 1 occurred in these two regions with Arkansas showing a 3-bushel loss in prospective yield per acre. Other States in these regions showed declines ranging from one-half to two bushels but damage to the crop in Northern Texas and Louisiana was offset by some improvement in the southern parts of these States.

Above-average temperatures and generous rainfall in the Corn Belt from Iowa eastward were very favorable for the development of the crop. Despite a generally late start and much delay in cultivation in this area, plant growth was very rapid during July. There was a marked improvement in the southern parts of Minnesota, Wisconsin, and Michigan, but in parts of Southern Illinois and Eastern Missouri the crop has not recovered from an early season set-back resulting from excessive rains. Corn in Northern Missouri improved but hot, dry weather was detrimental in southern sections. Some damage from corn-borer is reported in Indiana and Illinois. Cool weather continued to retard growth in North Dakota and Northern Minnesota but the South Dakota crop—planted much later than usual—made excellent progress and corn is tasseling in the southern counties of this State.

A more abundant supply of soil moisture than in any recent year carried the Nebraska and Kansas crops through a very dry month of July. The crop was suffering toward the end of the month, particularly in the central parts of these two States, but the absence of hot drying winds together with accumulated moisture reserves kept damage to a minimum. The situation was becoming critical about Aug. 1. Since Aug. 1, generous rains in Kansas have checked damage and materially improved prospects, while rains in Eastern Nebraska have brought relief there.

Corn made good progress in the North Atlantic States although the condition is somewhat spotted. In a few areas, there was too much moisture for optimum development, while other areas were too dry. In general, however, the crop promised a larger yield than a month earlier. In the Western States where the crop is late due to a slow early season growth, above-normal temperatures were very favorable. Corn made rapid progress during the month but there is still some danger of frost damage to late corn. While there was need of rain in a few areas on Aug. 1, soil moisture supplies, as well as irrigation water, generally were ample.

Wheat

The 1942 wheat crop is now estimated at 955,172,000 bushels compared with 945,937,000 last year and the 10-year (1930-39) average production of 747,507,000 bushels. Up 51 million bushels from a month ago, this year's crop promises to be the second largest on record, the only larger crop being the one billion bushel crop in 1915.

The indicated winter wheat production of 697,708,000 bushels is 4.0% larger than last year's 671,293,000 bushel crop and 22.5% above average. Better yields than expected were realized at harvest in many of the important winter wheat States, particularly in the Plains States. In that area the frequent rains during the growing season made the crop, and conditions were very favorable for harvesting. In sharp contrast, the yields were lower in the eastern Corn Belt States. From Ohio through Indiana and Illinois, the rains continued through harvest, adding field losses to earlier damage, and lowering wields 1.5 to 2.5 bushels from July 1. There was heavy loss in Montana from hail and storms that flattened the grain.

The indicated U. S. yield of 19.2 bushels per acre is a record, comparing with 17.0 bushels last year, which then was the highest on record, and with the average of 14.4 bushels.

August 1 conditions indicate a production of 257,464,000 bushels of all spring wheat, an increase of 29 millions during July. Although the acreage is 2 million acres smaller than last year, and 2½ million acres below average, production of a good sized crop is in prospect because yields exceed average in all important States. Rains earlier in the season promoted abundant growth and heavy filling of the heads. During July, dry weather was almost ideal for harvesting although ripening was hastened by heat in some areas and there was some shrivelling.

Durum wheat production, indicated at 38,426,000 bushels, is 8% less than the 41,800,000 bushels produced last year, but about 40% above average. The abundant supply of moisture throughout the growing season, and nearly complete absence of adverse factors, are evident in the record indicated yield of 17.8 bushels per acre, exceeding by 1.4 bushels the previous record of last year.

Other spring wheat production is 219,038,000 bushels compared with 232,844,000 bushels last year and the 150,492,000 bushel average. The indicated 18.2 bushels yield is 1.3 bushels higher than the 1941 record yield of 16.9 bushels. Unprecedented yields are in prospect in North Dakota, with 18.0 bushels of durum and 18.5 bushels of other spring wheat per acre.

Oats

Prospects for oats improved about 28 million bushels during July. Production of oats is estimated at 1,331,511,000 bushels, which is 13% larger than the 1941 crop of 1,176,107,000 bushels, 32% larger than the 10-year (1930-39) average of 1,007,141,000 bushels and the largest crop since 1925. The prospective production increased about 42 million bushels during July in Minnesota, Wisconsin, the Dakotas, Nebraska and Kansas and more than offset the decrease of some 20 million bushels in Missouri, Illinois and Indiana where wet weather delayed harvest and resulted in widespread losses from lodging, floods shattering of ripe oats and damage in the shock.

On August 1 the expected yield per harvested acre was 35.0 bushels and with the exception of 1940 was the highest since 1915. This compares with 34.2 bushels on July 1, 31.0 bushels for 1941 and 27.3 bushels the 10-year (1930-39) average. Rust damage to oats has been relatively light this season and the quality is generally good.

Barley

High yields prospects on Aug. 1, together with the largest acreage on record indicates a 1942 barley crop of 416,932,000 bushels. This is 16% above the previous record crop of 358,709,000 bushels in 1941 and 85% above the 10-year (1930-39) average of 224,970,000 bushels.

In this year's leading barley producing States—South Dakota, North Dakota, Minnesota, and California—the indicated yields are 2.5, 2.0, 2.0 and 4.5 bushels respectively above the high 1941 yields. Smaller yields than a year ago are in prospect in Nebraska, Kansas, Wisconsin, Colorado and Iowa. In Minnesota some reduction in yield and quality has occurred from scab and rust, and in Iowa from attacks by chinch bugs. The quality of the crop in California and the Dakotas is excellent. Harvesting difficulties have been reported in some parts of South Dakota where the crop lodged and was badly tangled. In California a material acreage was seeded in lower yielding marginal lands which received more than normal rainfall during the winter months.

Rye

Rye prospects on Aug. 1 are 59,665,000 bushels which exceeds the 1941 production by 14 million bushels and the average production by 21 million bushels. Higher yield prospects and a general increase in acreage for harvest as grain both contribute to the increased production.

The yield per acre at 15.4 bushels compares with 12.9 bushels in 1941 and the 10-year average of 11.2 bushels. Yields are greater than the ten-year average in all but one State—Illinois; and in the Dakotas are nearly double the 10-year average. The quality of the grain is excellent except for considerable ergot in North Dakota and Minnesota.

The 11% increase in the 1942 acreage of rye for harvest over that in 1941 is the result of a relatively small winter injury and the excellent pasture conditions in the spring which required a smaller acreage of rye for pasture.

Buckwheat

A crop of 6,358,000 bushels of buckwheat is in prospect for 1942 which is 5% above production last year but well below the 10-year (1930-39) average production of 7,315,000 bushels. Growing conditions to date have been favorable for this crop and yields are considerably above average in most of the producing area. The presently indicated yield of 17.6 bushels per acre is slightly below last year's yield of 17.9 bushels due largely to lower indicated yields in New York and Pennsylvania, which produce about two-thirds of the crop.

The acreage of buckwheat for harvest in 1942 is 362,000 acres which compares with 339,000 acres harvested in 1941 and the average of 460,000 acres. Wet soil curtailed seedings in Pennsylvania and Ohio, but in New York, and in the Northern Corn belt where wet weather hindered the planting of other late crops, the acreage of buckwheat was increased.

Potatoes

Growing conditions in July were generally favorable for potatoes and yield prospects increased even above the record level indicated a month ago. The Aug. 1 condition of the growing crop and preliminary reports on the yields of the early crop indicate an average yield of 135.2 bushels this year compared with 130.9 bushels in 1941, 132.0 bushels in 1940 and the 10-year (1930-39) average yield of 112.6 bushels per acre. Total production of potatoes in the United States is placed at 378,175,000 bushels which is 6% above the 1941 production of 357,783,000 bushels and about 2% above the 10-year average.

Prospects in comparison with July 1 have shown marked improvement in the five central States of the surplus late group where, with very favorable weather and little apparent insect or disease injury to date, production increased nearly 12%. Other groups show only minor and largely offsetting changes from a month ago, but compared with 1941, production for all groups except the three eastern surplus late States is expected to be larger.

In the Aroostook area of Maine rainfall was excessive in some portions during the early part of the season but recently the weather has been hot and dry, checking the development of late blight and slowing vegetative growth. In New York reports indicate material damage from late blight in the Long Island area, particularly on the late crop of Green Mountains. The Idaho crop is late but in good condition. Water supplies are believed to be ample. Other western States report continuation of the generally favorable conditions of a month ago.

Steel Production At A Slightly Higher Rate—New Quota Plan Being Applied—New System

"Amid mounting confusion over the priorities system, causing further unbalance in the materials distribution setup, the metals and metalworking industries this week continued their struggle to vanquish impossibilities and to bypass bottlenecks," states "The Iron Age" in its issue of today (Aug. 13). "Too many of the new AA super ratings were being loaded into the steel industry's hopper, indicating that their importance would decline in the same manner as preceding ratings which appeared high when issued, but turned out to be rubber checks," continues this publication, which further goes on to say in part:

"In one recent action alone, thousands of tons of steel for warehouses were advanced to AA-3, putting the jobbers in a preferred position temporarily at least. Many other orders were being re-rated this week.

"Still more changes are coming in the priority setup, some of them bound to increase the heavy load of paper work burdening all industries. For the first quarter of 1943, WPB is understood to be planning to put the Production Requirements Plan on a product basis, which means that if a manufacturer is making 10 products, he will have to file 10 priority applications. The objective is raw materials bills for products, so that WPB can keep closer tab on the situation. A further reason is that controversies are breaking out over the proper processing of PD-25-a forms.

"At the same time an experiment will be conducted in production and material control in selected industries through a brand system known as the Contract Production Control which, if successful, would eliminate the PRP plan and with it priority ratings. Instead of a manufacturer making application for materials which no one knows whether he needs or not, raw material bills would be compared against individual contract requirements.

"Figures covering shipments of finished steel to date this year show curtailed sheet output, a sharp gain in plate production and a big increase in alloy steel. At the same time, tin plate production has been surprisingly large, reflecting the drive to can all available produce. In June, 5,690,703 tons of steel were shipped, including 914,310 for uses not directly traced to war. Unfilled orders for July totaled 11,074,725 tons.

"A year from now the steel industry is expected to have monthly finished steel capacity of 5,730,000 net tons, provided about 800,000 tons of steel can be found to complete the expansion program. Probably 300,000 tons of structural steel have been saved by the dropping of part of the enlargement plan.

"Over the balance of this year, electric furnaces with annual capacity of over 700,000 tons of alloy steel are scheduled to come into production. They are needed very much, as alloy steel demands far exceed present output. New blast furnaces with annual capacity of 2,500,000 tons of pig iron are scheduled to come into operation before Jan. 1. Around 1,500,000 tons will be added to the nation's open-hearth capacity before the end of this year.

"The scrap supply situation, however, is really the key to whether steel output holds up. The flow of scrap cannot be planned like mined raw materials. Mills are charging more scrap per heat because of the lower quality and are using more limestone and fluorspar than ever before to take care of impurities. Spar charges are up nearly 25% in some heats.

"Probably scrap piles at plants over the nation are 50% lower than they were a year ago. One company, which had a reserve pile of 100,000 tons a year ago, is down to 10,000 tons today. Because of lend-lease shipments, less steel scrap is being returned than in normal times. In most districts the national scrap drive is getting results, but in some areas previous drives have cleaned out the scrap.

"The $20,000,000,000 war plant expansion program which WPB announced would be cut substantially to save materials for the war effort, will only be cut about 8% instead of the 25% cut originally projected, 'The Iron Age' has learned."

The American Iron and Steel Institute on Aug. 10 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 91% of the steel capacity of the industry will be 96.5% of capacity for the week beginning Aug. 10, compared with 95.8% one week ago, 98.4% one month ago and 95.6% one year ago. This represents an increase of 0.7 point or 0.7% from the preceding week. The operating rate for the week beginning Aug. 10 is equivalent to 1,650,800 tons of steel ingots and castings, compared to 1,639,200 tons one week ago, 1,683,300 tons one month ago, and 1,579,500 tons one year ago.

"Steel," of Cleveland, in its summary of the iron and steel markets, on Aug. 10, stated in part: "Steel quotas under the new production control plan have been received by some producers and are being put into effect as rapidly as circumstances allow. Definite minimum tonnage of each product is designated for each mill that can produce that product, with the expectation of stabilizing operations.

"Reasonable latitude apparently is being allowed in setting up mill schedules, to group sizes for long runs, reducing the number of roll changes and shortening idle time. The new system gives promise of enabling mills to exceed minimum quotas substantially.

"The number of old orders being advanced to AA classifications is increasing and some have been moved up four times in the past month. Upper ratings are becoming as congested as the A ratings were a few weeks ago. Some mills believe they can make bar deliveries down to A-1-a late in August, sheets in AA-1 and AA-2 in five to six weeks, shapes in A-1-b to a small extent in August and low-carbon narrow strip on AA-1 rating in six to eight weeks. On high-carbon most producers make no promise. Plates are entirely on allocation. Some orders carrying low priorities have not been considered worthy of advanced rating and do not figure actively in rolling schedules.

"Time has been extended a month, to Sept. 1, for applying end-use symbols to old orders, a needed relief, as both buyers and sellers find the task onerous, in view of their application to new orders as well.

"Producers of cold-rolled sheets are competing for high-rated orders, which enable them to obtain hot-rolled material to keep their plants running. Cold-rolling capacity is not fully engaged and deliveries can be promised in about eight weeks.

"Plate deliveries are maintained at a rate sufficient to meet demands, though allocations are not fully filled for the month they cover. The lag is being diminished as output increases and mills may catch up soon. Additional shipways are ready for production, adding to total tonnage. Close control of inventory has been of much help in distributing plates equitably and avoiding shortages.

"In the face of tremendous consumption of scrap, current supplies are fairly close to actual needs, with some consumers operating on dangerously narrow margin.

"Semifinished steel allocations for Great Britain have been cut materially from the tonnage first distributed, the reduction being from 1,800,000 to 1,100,000 net tons for third quarter. Some effect of the revision was felt in July but will be more apparent in August.

"July iron ore shipments on the Great Lakes established a new record, 13,405,408 gross tons, compared with the all-time mark of 12,677,356 tons carried in May and 17.69% greater than the July, 1941, total. Ample provision is being made for next winter, cumulative shipments to Aug. 1 being 47,357,574 tons, 7,141,166 tons greater than the movement to the same date last year. This is an increase of 17.76%."

NYSE Short Interest Higher On July 31

The New York Stock Exchange announced on Aug. 7 that the short interest existing as of the close of business on the July 31 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 517,522 shares, compared with 514,158 shares on June 30, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the July 31 settlement date, the total short interest in all odd-lot dealers' accounts was 40,731 shares, compared with 52,059 shares, on June 30.

The Exchange's announcement further said:

"Of the 1,239 individual stock issues listed on the Exchange on July 31, there were 27 issues in which a short interest of more than 5,000 shares existed, or in which a change in the short position of more than 2,000 shares occurred during the month. . . .

"The number of issues in which a short interest was reported as of July 31, exclusive of odd-lot dealers' short position was 402 compared with 402 on June 30."

In the following tabulation is shown the short interest existing at the close of the last business day for each month for the last two years:

1940—	
Aug. 30	474,033
Sept. 30	517,713
Oct. 31	530,442
Nov. 29	515,548
Dec. 31	459,129
1941—	
Jan. 31	498,427
Feb. 28	487,151
Mar. 31	537,613
Apr. 30	510,969
May 29	496,892
June 30	478,859
July 31	487,169
Aug. 29	470,002
Sept. 30	486,912
Oct. 31	444,745
Nov. 28	453,244
Dec. 31	349,154
1942—	
Jan. 31	460,577
Feb. 27	489,223
Mar. 31	513,546
Apr. 30	530,636
May 29	534,396
June 30	514,158
July 31	517,522

Trading On New York Exchanges

The Securities and Exchange Commission has made public figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended July 18, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Since we did not publish the figures for the week ended June 27, we are also giving these below. The figures for the weeks ending July 4 and 11 appeared in these columns of Aug. 6, page 470.

The data published are based upon weekly reports filed with the New York Stock Exchange and the New York Curb Exchange by their respective members. These reports are classified as follows:

	N. Y. Stock Exchange Weeks Ending		N. Y. Curb Exchange Weeks Ending	
	June 27	July 18	June 27	July 18
Total number of reports received	979	976	691	683
1. Reports showing transactions as specialists	158	169	86	71
2. Reports showing other transactions initiated on the floor	121	127	16	19
3. Reports showing other transactions initiated off the floor	124	148	49	39
4. Reports showing no transactions	644	610	543	549

Note—On the New York Curb Exchange, odd-lot transactions are handled solely by specialists in the stocks in which they are registered and the round-lot transactions of specialists resulting from such odd-lot transactions are not segregated from the specialists' other round-lot trades. On the New York Stock Exchange, on the other hand, all but a fraction of the odd-lot transactions are effected by dealers engaged solely in the odd-lot business. As a result, the round-lot transactions of specialists in stocks in which they are registered are not directly comparable on the two exchanges.

The number of reports in the various classifications may total more than the number of reports received because a single report may carry entries in more than one classification.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

Weeks Ending June 27 and July 18, 1942

	Total for Week	† Per Cent	Total for Week	†Per Cent
A. Total Round-Lot Sales:				
Short sales	48,960		52,370	
‡Other sales	1,437,520		1,686,900	
Total sales	1,486,480		1,739,270	
B. Round-Lot Transactions for the Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	119,040		174,820	
Short sales	21,710		27,730	
‡Other sales	77,890		137,430	
Total sales	99,600	7.35	165,160	9.77
2. Other transactions initiated on the floor—				
Total purchases	57,380		72,670	
Short sales	6,200		6,900	
‡Other sales	46,980		81,100	
Total sales	53,180	3.72	88,000	4.62
3. Other transactions initiated off the floor—				
Total purchases	38,489		52,030	
Short sales	3,900		9,300	
‡Other sales	46,324		49,216	
Total sales	50,224	2.98	58,516	3.18
4. Total—				
Total purchases	214,909		299,520	
Short sales	31,810		43,930	
‡Other sales	171,194		267,746	
Total sales	203,004	14.05	311,676	17,57

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

Weeks Ending June 27 and July 18, 1942

	Total for Week	† Per Cent	Total for Week	†Per Cent
A. Total Round-Lot Sales:				
Short sales	2,160		3,050	
‡Other sales	258,175		263,585	
Total sales	260,335		266,635	
B. Round-Lot Transactions for the Account of Members:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	16,350		20,125	
Short sales	2,100		1,230	
‡Other sales	28,195		24,925	
Total sales	30,295	8.96	26,155	8.68
2. Other transactions initiated on the floor—				
Total purchases	3,635		5,335	
Short sales	0		0	
‡Other sales	2,065		2,375	
Total sales	2,065	1.09	2,375	1.44
3. Other transactions initiated off the floor—				
Total purchases	13,620		10,785	
Short sales	0		1,100	
‡Other sales	11,730		4,845	
Total sales	11,730	4.87	5,945	3.14
4. Total—				
Total purchases	33,605		36,245	
Short sales	2,100		2,330	
‡Other sales	41,990		32,145	
Total sales	44,090	14.92	34,475	13.26
C. Odd-Lot Transactions for the Account of Specialists—				
Customers' short sales	20		0	
§Customers' other sales	20,541		15,428	
Total purchases	20,561		15,428	
Total sales	8,449		8,898	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†Shares in members' transactions as per cent of twice total round-lot volume. In calculating these percentages, the total members' transactions is compared with twice the total round-lot volume on the Exchange for the reason that the total of members' transactions includes both purchases and sales, while the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

National Fertilizer Association Commodity Price Average Lower Last Week

The general level of wholesale commodity prices was lower last week, according to the price index compiled by the National Fertilizer Association and released on Aug. 10. In the week ended Aug 8 this index stood at 128.7% of the 1935-1939 average. It registered 129.3 in the preceding week, 127.1 a month ago, and 113.7 a year ago. The Association's report went on to say:

The chief changes during the week were a marked decline in fuel prices which more than offset moderate increases in farm products. As a result of administrative action on the part of Government officials a substantial mark-up in gasoline and kerosene prices was canceled; causing a sharp drop in the fuel price index. The miscellaneous commodities index moved to lower levels as a result of further decreases in cattle feed prices. The fertilizer materials index was slightly lower. In the farm products group advances in cattle, hogs, lambs, poultry, barley, and cotton more than offset decreases in some grains. Due principally to higher meat prices, the food index continued its upward trend, with eight items included in the group advancing and only three declining. The only other group average to change during the week was the textiles index, which was fractionally higher.

Although the all-commodity price index fell off during the week, price advances outnumbered declines 18 to 11; in the preceding week there were 15 advances and 11 declines; in the second preceding week there were 16 declines and 15 advancs.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
[*1935-1939 = 100]

% Each Group Bears to the Total Index	Group	Latest Week Aug. 8 1942	Preceding Week Aug. 1 1942	Month Ago June 20 1942	Year Ago Aug. 9 1941
25.3	Foods	128.5	128.3	125.1	108.2
	Fats and Oils	139.9	139.6	137.3	119.2
	Cottonseed Oil	158.4	160.7	158.4	136.8
23.0	Farm Products	138.4	136.9	134.5	116.0
	Cotton	178.0	176.8	179.1	155.2
	Grains	111.9	111.9	113.8	103.3
	Livestock	138.0	135.9	131.0	111.6
17.3	Fuels	120.2	125.4	119.7	110.4
10.8	Miscellaneous commodities	126.7	127.0	127.8	121.9
8.2	Textiles	147.5	147.2	147.5	140.0
7.1	Metals	104.4	104.4	104.4	103.9
6.1	Building materials	151.5	151.5	151.6	118.5
1.3	Chemicals and drugs	120.7	120.7	120.7	106.2
.3	Fertilizer materials	117.8	117.9	117.7	112.6
.3	Fertilizers	115.3	115.3	115.3	106.4
.3	Farm machinery	104.1	104.1	104.1	99.3
100.0	All groups combined	128.7	129.3	127.1	113.7

*Indexes on 1926-1928 base were: Aug. 8, 1942, 100.3; Aug. 1, 1942, 100.7; Aug. 9, 1941, 88.6.

Market Value Of Bonds On N. Y. Stock Exchange

The New York Stock Exchange announced on Aug. 7 that as of the close of business July 31, there were 1,150 bond issues aggregating $63,992,198,940 par value listed on the New York Stock Exchange with a total market value of $61,277,620,583. This compares with 1,152 bond issues aggregating $61,899,239,025 par value listed on the Exchange on June 30 with a total market value of $59,112,072,945.

In the following table listed bonds are classified by governmental and industrial groups with the aggregate market value and average price for each:

Group—	June 30, 1942 Market Value $	June 30, 1942 Average Price $	July 31, 1942 Market Value $	July 31, 1942 Average Price $
U. S. Government (incl. N. Y. State, Cities, etc.)	44,095,078,402	105.72	46,152,358,470	105.34
U. S. companies:				
Amusements	35,418,372	99.37	35,885,482	100.68
Automobile	13,496,486	103.44	13,505,208	103.57
Building	17,555,370	94.77	17,451,748	94.21
Business and office equipment	15,037,500	100.25	15,112,500	100.75
Chemical	74,470,748	98.26	75,805,343	100.02
Electrical equipment	36,318,750	103.77	36,356,250	103.88
Financial	57,287,184	99.63	57,428,807	99.92
Food	222,068,122	103.93	222,238,418	104.37
Land and realty	9,176,304	66.81	9,354,844	68.11
Machinery and metals	44,327,159	99.16	43,766,449	99.02
Mining (excluding iron)	87,896,329	55.97	88,243,712	56.24
Paper and publishing	50,828,992	100.09	50,595,576	100.70
Petroleum	588,180,881	102.42	589,719,644	102.70
Railroad	6,231,242,478	60.59	6,327,641,915	61.46
Retail merchandising	11,518,208	77.26	11,953,478	80.17
Rubber	72,984,463	99.33	73,373,601	99.86
Ship building and operating	11,127,840	97.00	11,472,000	100.00
Shipping services	17,130,120	61.82	17,385,962	62.99
Steel, iron and coke	547,358,766	99.86	546,809,957	99.85
Textiles	26,649,130	100.39	1,431,983	92.63
Tobacco	145,815,300	104.40	146,080,523	104.75
Utilities:				
Gas and electric (operating)	3,276,704,089	106.31	3,308,673,538	106.87
Gas and electric (holding)	99,766,793	99.11	99,831,124	99.17
Communications	1,193,272,890	106.34	1,198,285,103	106.79
Miscellaneous utilities	84,955,359	57.73	84,743,717	57.61
U. S. companies oper. abroad	104,511,667	57.48	105,019,818	57.76
Miscellaneous businesses	31,265,000	102.51	31,667,500	103.83
Total U. S. companies	13,106,364,300	76.66	13,219,834,200	77.35
Foreign government	1,208,511,098	54.16	1,203,578,459	54.10
Foreign companies	702,119,145	81.25	701,849,454	81.22
All listed bonds	59,112,072,945	95.50	61,277,620,583	95.76

The following table, compiled by us, gives a two-year comparison of the total market value and the total average price of bonds listed on the Exchange:

1940—	Market Value $	Average Price $
June 29	47,665,777,410	90.14
July 31	48,601,638,211	90.86
Aug. 31	49,238,728,732	91.33
Sept. 30	49,643,200,867	92.08
Oct. 31	50,438,409,964	92.84
Nov. 30	50,755,887,399	93.58
Dec. 31	50,831,283,315	93.84
1941—		
Jan. 31	50,374,446,095	93.05
Feb. 28	50,277,456,796	92.72
Mar. 31	52,252,053,607	93.73
Apr. 30	52,518,036,554	94.32
May 30	52,321,710,056	94.22
June 30	53,237,234,699	94.80

1941—	Market Value $	Average Price $
July 31	53,259,696,637	95.04
Aug. 30	53,216,867,646	94.86
Sept. 30	53,418,055,935	94.74
Oct. 31	55,106,635,894	95.25
Nov. 29	54,812,793,945	94.80
Dec. 31	55,033,616,312	94.50
1942—		
Jan. 31	56,261,398,371	95.24
Feb. 28	57,584,410,504	95.13
Mar. 31	58,140,382,211	95.97
Apr. 30	57,923,553,616	95.63
May 29	59,257,509,674	95.64
June 30	59,112,072,945	95.50
July 31	61,277,620,583	95.76

Market Value Of Stocks On New York Stock Exchange Higher On July 31

The New York Stock Exchange announced on Aug. 5 that as of the close of business July 31, there were 1,239 stock issues aggregating 1,470,695,446 shares listed on the New York Stock Exchange, with a total market value of $34,443,805,860. This compares with 1,242 stock issues aggregating 1,469,960,158 shares, with a total market value of $33,419,047,743 on June 30, and with 1,229 stock issues, aggregating 1,463,496,170 shares on the Exchange on July 31, 1941, with a total market value of $41,654,256,215.

In making public the figures for July 31, the Exchange also said:

As of the close of business July 31, New York Stock Exchange member total net borrowings amounted to $347,033,425. The ratio of these member borrowings to the market value of all listed stocks on that date was, therefore, 1.01%. As the above figure includes all types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

Group	July 31, 1942 Market Value $	July 31, 1942 Average Price $	June 30 1942 Market Value $	June 30 1942 Average Price $
Amusement	282,653,431	13.40	261,216,204	12.39
Automobile	2,837,456,328	23.68	2,775,609,019	23.16
Aviation	500,707,891	14.48	480,695,279	13.90
Building	393,941,278	18.08	379,768,436	17.43
Business & office equipment	272,560,605	23.21	263,603,696	22.44
Chemical	4,809,473,623	50.49	4,740,589,056	49.76
Electrical equipment	1,124,488,015	28.37	1,115,916,662	28.15
Farm machinery	551,347,634	42.07	539,310,328	41.16
Financial	667,452,741	13.15	641,366,991	12.63
Food	2,254,435,351	24.13	2,224,476,071	23.81
Garment	37,619,238	22.47	35,419,463	21.15
Land & realty	16,369,659	3.37	14,735,035	3.03
Leather	176,404,448	20.98	170,247,211	20.25
Machinery & metals	1,181,351,874	17.25	1,157,115,064	16.89
Mining (excluding iron)	1,274,667,278	21.57	1,214,045,403	20.54
Paper & publishing	323,681,280	14.62	314,144,957	14.18
Petroleum	3,663,844,760	19.09	3,460,787,707	18.03
Railroad	2,680,070,627	23.53	2,540,648,517	22.48
Retail merchandising	1,790,473,324	24.43	1,721,373,928	23.47
Rubber	329,642,255	31.13	310,857,986	29.35
Ship building & operating	88,320,712	18.53	86,368,658	18.12
Shipping services	10,016,300	5.45	9,150,743	4.98
Steel, iron & coke	1,869,306,345	37.32	1,823,236,310	35.66
Textiles	325,215,308	23.19	309,747,836	22.09
Tobacco	1,022,095,077	38.16	1,003,303,120	37.46
Utilities:				
Gas & electric (operating)	1,463,127,310	15.84	1,469,282,693	15.90
Gas & electric (holding)	567,919,276	5.93	575,701,477	6.01
Communications	2,627,797,492	62.84	2,516,660,500	60.18
Miscellaneous	70,711,479	9.64	68,773,169	9.38
U. S. companies oper. abroad	451,079,555	13.32	430,946,223	13.09
Foreign companies	678,991,908	16.77	665,178,250	16.43
Miscellaneous businesses	100,583,458	17.13	98,771,751	16.83
All Listed Stocks	34,443,805,860	23.42	33,419,047,743	22.73

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

1940—	Market Value $	Average Price $
Apr. 30	46,769,244,271	32.35
May 31	36,546,583,208	25.26
June 29	38,775,241,138	26.74
July 31	39,991,865,997	27.51
Aug. 31	40,706,241,811	28.00
Sept. 30	41,491,698,705	28.56
Oct. 31	42,673,890,518	29.38
Nov. 30	41,848,246,961	28.72
Dec. 31	41,890,646,959	28.80
1941—		
Jan. 31	40,279,504,457	27.68
Feb. 28	39,398,228,749	27.08
Mar. 31	39,696,269,155	27.24
Apr. 30	37,710,958,708	25.78
May 31	37,815,306,034	25.84

1941—	Market Value $	Average Price $
June 30	39,607,836,569	27.07
July 31	41,654,256,215	28.46
Aug. 30	41,472,032,904	28.32
Sept. 30	40,984,419,434	28.02
Oct. 31	39,057,023,174	26.66
Nov. 29	37,882,316,239	25.87
Dec. 31	35,785,946,533	24.46
1942—		
Jan. 31	36,228,397,999	24.70
Feb. 28	35,234,173,432	24.02
Mar. 31	32,844,183,750	22.36
Apr. 30	31,449,206,904	21.41
May 29	32,913,725,225	22.40
June 30	33,419,047,743	22.73
July 31	34,443,805,860	23.42

New York Stock Exchange Odd-Lot Trading

The Securities and Exchange Commission has made public a summary for the week ended July 25, of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handle odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

We are also giving below the figures for the week ended July 4, since these were omitted from a previous issue of the 'Chronicle." Figures for the intervening weeks appeared in our Aug. 6 issue, page 469.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE NEW YORK STOCK EXCHANGE

Week Ended—	July 4	July 25
Odd-lot Sales by Dealers: (Customers' Purchases)		
Number of orders	7,392	8,247
Number of shares	188,621	217,119
Dollar value	$7,016,703	$8,059,534
Odd-lot Purchases by Dealers: (Customers' Sales)		
Number of orders:		
Customers' short sales	146	191
*Customers' other sales	8,945	8,668
Customers' total sales	9,091	8,859
Number of shares:		
Customers' short sales	3,077	4,421
*Customers' other sales	192,280	209,835
Customers' total sales	195,357	214,256
Dollar value	$5,653,120	$6,829,489
Round-lot Sales by Dealers:		
Number of shares:		
Short sales	210	180
†Other sales	65,160	61,100
Total sales	65,370	61,280
Round-lot Purchases by Dealers:		
Number of shares	62,230	75,030

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Patents, Anti-Trust Laws In Harmony; NAM

The contention that patent rights are in conflict with anti-trust laws is disputed by George E. Folk, special NAM patent adviser, in a book, "Patents and Industrial Progress," published Aug. 5 by Harper & Brothers. The book, says the announcement regarding it, analyzes recommendations for patent legislation made by Thurman Arnold, head of the anti-trust division of the United States Department of Justice, and discusses synthetic rubber, beryllium and many other products of vital importance in the war. Differences between cartels and legal patent licensing agreements are discussed, as is the role of patents in the exchange of scientific knowledge between countries in times of peace.

"It is unfortunate that the term 'monopoly' is so generally and loosely used to designate the right conferred by a patent, since odium is attached to 'monopoly' in the public mind," Mr. Folk said. He further states:

"Thus those who at heart are opposed to private ownership of property are provided a vantage point from which to attack this particular kind of property.

"A patent is a monopoly only in the sense that all property rights are monopolies.

"It has erroneously been assumed by some that there is an essential conflict between patents and the anti-trust laws against monoply. The anti-trust laws correctly treat equally the owner of property in general and the owner of a patent in particular. Either can do as he will with his own, but neither can combine his property with others in a way to restrain trade; nor can either use his property as an instrument for the creation of some other monopoly forbidden by law."

Five major points made by Mr. Folk in connection with patents and anti-trust laws were:

"1. Patents represent an addition to, and not a subtraction from the public wealth; the giving of something to the public, not taking away from it.

"2. The patentee's control over his property is temporary.

"3. The patent at best is a precarious and highly speculative kind of property.

"4. A license does not create any new monopoly. A license is a waiver of rights, not a means of acquiring additional rights.

"5. Patents are no more in conflict with anti-trust laws than is any other kind of property. If combinations in restraint of trade are being made as a result of the misuse of such property, the anti-trust laws are adequate to deal with them in the same way as they deal with misuses of other recognized property rights."

In a foreward, Robert L. Lund, Chairman of the NAM Committee on Patents and Research and Executive Vice-President of the Lambert Pharmacal Co. said:

"Patented inventions have created perhaps four out of five jobs in our country. They have made possible mass production which has reduced prices, increased the quantity and improved the quality of the goods and services which constitute our high standard of living. . . . While changes can and should be made in the patent system to keep it abreast of social and economic development, we must not assume that all change is progress."

Mr. Folk, who began his association with the patent system as an examiner in the U. S. Patent Office in 1896, praises the formation of President Roosevelt's National Patent Planning Commission, which has been authorized to study the patent system and make recommendations for legislation to adapt the system to modern needs.

Automobile Financing And Diversified Financing For Month Of June

A decrease of 10% in the number of new passenger cars financed in June, 1942, compared with the preceding month, was shown by data reported by sales finance companies, according to an announcement released on Aug. 1 by J. C. Capt, Director of the Census. The dollar volume of paper acquired in the financing of new passenger cars decreased 7%. In the financing of new commercial cars, the number increased 10%, while the dollar volume increased 15%. For used passenger car financing, the number and the dollar volume gained 7% and 8%, respectively. The number of used commercial cars financed during June, 1942, was up 3%, the dollar volume 9%, compared with May, 1942.

During June, 1942, retail automotive outstandings held by sales finance companies decreased 10%. Outstanding balances were down 10% during May, 9% during March, 9% during April, 8% during February, and 7% during January. There has been a steady downward trend of these balances since August, 1941.

The volume of paper acquired by sales finance companies in wholesale automotive financing decreased 31% for new cars and 21% for used cars from May to June of this year. The outstanding balances for wholesale automotive financing decreased 7% during June, continuing the downward trend from the high in February.

In retail diversified financing by sales finance companies for June, 1942, compared with the preceding month, the largest decrease (42%) was in the volume of financing for household appliances, closely followed by a 40% drop in the financing of refrigerators. The financing of furniture and of radios, pianos, and other musical instruments decreased 24% and 10%, respectively. The financing of residential building repairs and modernization decreased 23%, after having shown increases in the previous three months. Industrial, commercial, and farm equipment financing was down 42%. In wholesale diversified financing (other than automotive) the volume of paper acquired was down 23% for June, compared with May, 1942.

Diversified outstanding balances held by sales finance companies showed further reductions during June, 1942. Outstanding balances were reduced 6% for retail financing of other consumers' goods, 3% for industrial, commercial, and farm equipment, and 15% for wholesale diversified financing (other than automotive).

The ratios of paper acquired during June, 1942, to the outstanding balances as of June 30, 1942, were 4% for retail automotive, 4% for wholesale automotive, 14% for wholesale diversified (other than automotive), 4% for retail—other consumers' goods, and 4% for industrial, commercial, and farm equipment.

These data on the current trends of sales financing for the month of June were based on reports for May and for June from 280 sales finance companies. Neither the dollar volumes nor the indexes should be used to indicate the total amount of financing by all sales finance companies in the United States. The data are published as reported without adjustment for seasonal or price fluctuations. The data in the tables below are not comparable to those published for previous months, since monthly reports were not received each month from identical sales finance companies. All indexes for June were obtained by calculating the percent changes from May to June, as shown by data on reports for both months from the same sales finance companies, and by linking these percentages to the indexes previously derived for May, 1942.

Sales—Finance Companies

AUTOMOTIVE AND DIVERSIFIED FINANCING

Volume of Paper Acquired During June, 1942 and Balances Outstanding June 30, 1942

Class of Paper—	Dollar volume of paper acquired during June, 1942: By all companies	By all companies reporting outstanding balances†	Outstanding balances June 30, 1942†	Ratio of paper acquired to outstand'g balances‡
Total retail automotive	$30,269,978	$29,774,445	$716,144,872	4
Total wholesale automotive	11,577,287	11,523,650	312,068,733	4
Total wholesale—other than automotive	826,223	770,602	5,577,236	14
Total retail—other consum. goods	9,536,519	9,339,158	231,593,138	4
Industrial, commercial and farm equipment	667,884	659,600	17,530,902	4
Total sales financings	$52,877,891	$52,067,455	$1,282,914,881	4

†Data are based on figures from sales finance companies able to report both their paper acquired and their outstanding balances.

‡Ratios obtained by dividing paper acquired (column 2) by outstanding balances (column 3).

AUTOMOTIVE FINANCING *

Number of Cars Financed and Volume of Paper Acquired During June, 1942

Class of Paper—	Number of cars: Number	% of total	Paper acquired: Dollar Volume	% of total
Total retail automotive	72,193	100	†$28,947,027	100
New passenger cars	6,137	9	4,831,625	17
New commercial cars	576	1	688,109	2
Used passenger cars	62,508	86	22,167,819	77
Used commercial cars	2,972	4	1,259,474	4
Total wholesale automotive	----	--	†$10,545,795	100
New cars (passenger and commercial)	----	--	7,518,011	71
Used cars (passenger and commercial)	----	--	3,027,784	29

*Data are based on reports from sales finance companies providing a breakdown of their retail and wholesale automotive financing. †These amounts are less than those reported in column 1 of above table, due to the inclusion in that table of data from some sales finance companies that could not provide a breakdown.

DIVERSIFIED FINANCING *

Volume of Paper Acquired During June, 1942

Class of Paper—	Dollar volume	% of total
Retail—other consumers' goods:		
Furniture	$241,873	4
Radio, television sets, pianos & other musical instruments	82,164	1
Refrigerators (gas and electric)	527,820	9
Other household appliances	165,705	3
Residential building repair and modernization	2,749,827	45
Miscellaneous retail	780,810	13
Total retail—other consumers' goods	*4,548,204	75
Total wholesale—other than automotive	826,223	14
Industrial, commercial, and farm equipment	667,884	11
Total diversified financing	$6,042,311	100

*Data are based on reports from sales finance companies providing a breakdown of their retail financing of other consumers' goods. †This amount is less than that reported in column 1 of table on "Automotive and Diversified Financing" due to the inclusion in that table of data from some sales finance companies that could not provide a breakdown.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following tables:

MOODY'S BOND PRICES†
(Based on Average Yields)

1942— Daily Averages	U. S. Govt. Bonds	Avge. Corporate *	Corporate by Ratings *: Aaa	Aa	A	Baa	Corporate by Groups *: R. R.	P. U.	Indus
Aug. 11	117.97	106.92	116.80	113.31	108.34	91.91	96.23	111.44	114.27
10	117.97	106.92	116.80	113.31	108.34	91.91	96.23	111.62	114.27
8	117.97	107.09	116.80	113.31	108.34	92.06	96.23	111.44	114.27
7	117.97	106.92	116.61	113.12	108.16	91.91	96.23	111.44	114.27
6	117.89	106.92	116.61	113.31	108.16	91.91	96.23	111.44	114.27
5	117.86	106.92	116.61	113.31	108.16	91.91	96.23	111.44	114.27
4	117.90	106.92	116.61	113.31	108.16	91.77	96.07	111.44	114.27
3	118.03	106.92	116.61	113.31	108.16	91.77	95.92	111.44	114.27
1	118.10	106.92	116.61	113.31	108.16	91.77	96.07	111.44	114.27
July 31	118.11	106.92	116.41	113.50	108.16	91.77	96.07	111.44	114.27
24	118.22	106.74	116.61	113.31	107.98	91.77	95.92	111.62	114.08
17	118.22	106.74	116.41	113.12	107.98	91.62	95.77	111.44	114.27
10	118.26	106.74	116.41	113.31	107.80	91.62	95.77	111.25	114.08
3	118.09	106.56	116.22	113.12	107.98	91.34	95.77	111.25	113.89
June 26	118.14	106.39	116.22	112.93	107.80	91.05	95.47	110.88	113.89
19	118.33	106.39	116.22	112.93	107.62	91.19	95.47	110.88	113.89
12	118.33	106.21	116.02	112.75	107.44	91.19	95.62	110.88	113.50
5	118.38	106.21	115.82	112.93	107.27	91.34	95.77	110.70	113.31
May 29	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.70
22	118.33	106.56	116.02	112.93	107.44	91.91	96.07	110.70	113.50
15	117.89	106.74	116.02	113.31	107.62	92.06	96.54	110.88	113.70
8	117.79	106.74	116.22	113.12	107.62	92.20	96.69	110.70	113.70
1	117.90	106.56	116.22	113.12	107.44	92.06	96.69	110.70	113.70
Apr. 24	117.80	106.74	116.22	113.12	107.62	92.06	96.69	110.70	113.70
Mar. 27	118.20	106.74	116.22	113.50	107.62	91.91	97.00	110.34	113.50
Feb. 27	116.34	106.39	115.63	113.31	107.62	91.62	96.85	110.15	113.31
Jan. 30	117.08	106.92	116.22	113.70	107.80	92.06	97.31	110.52	113.70
High 1942	118.41	107.09	116.80	114.08	108.34	92.50	97.47	111.62	114.46
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
High 1941	120.05	108.52	118.60	116.02	109.60	92.50	97.78	112.56	116.41
Low 1941	115.89	105.52	116.22	112.00	106.04	89.23	95.62	109.42	111.62
1 Year ago Aug. 11, 1941	118.71	107.80	118.20	115.04	108.70	92.06	97.47	112.00	115.04
2 Years ago Aug. 10, 1940	115.36	103.47	116.02	112.75	103.47	85.59	91.91	109.06	111.07

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1942— Daily Average	Avge. Corporate	Corporate by Ratings: Aaa	Aa	A	Baa	Corporate by Groups: R. R.	P. U.	Indus
Aug. 11	3.34	2.81	2.99	3.26	4.28	3.99	3.09	2.94
10	3.34	2.81	2.99	3.26	4.28	3.99	3.08	2.94
8	3.33	2.81	2.99	3.26	4.27	3.99	3.09	2.94
7	3.34	2.82	3.00	3.27	4.28	3.99	3.09	2.94
6	3.34	2.82	2.99	3.27	4.28	3.99	3.09	2.94
5	3.34	2.82	2.99	3.27	4.28	3.99	3.09	2.94
4	3.34	2.82	2.99	3.27	4.29	4.00	3.09	2.94
3	3.34	2.82	2.99	3.27	4.29	4.01	3.09	2.94
1	3.34	2.82	2.99	3.27	4.29	4.00	3.09	2.94
July 31	3.34	2.83	2.98	3.27	4.29	4.00	3.09	2.94
24	3.35	2.82	2.99	3.28	4.29	4.01	3.08	2.95
17	3.35	2.83	3.00	3.28	4.30	4.02	3.09	2.94
10	3.35	2.83	2.99	3.29	4.30	4.02	3.10	2.95
3	3.36	2.84	3.00	3.28	4.32	4.02	3.10	2.96
June 26	3.37	2.84	3.01	3.29	4.34	4.04	3.12	2.96
19	3.37	2.84	3.01	3.30	4.33	4.04	3.12	2.96
12	3.38	2.85	3.02	3.31	4.33	4.03	3.12	2.98
5	3.38	2.86	3.01	3.32	4.32	4.02	3.13	2.99
May 29	3.37	2.85	3.01	3.31	4.29	4.00	3.13	2.97
22	3.36	2.85	3.01	3.31	4.28	4.00	3.13	2.98
15	3.35	2.85	2.99	3.30	4.27	3.97	3.12	2.97
8	3.35	2.84	3.00	3.30	4.26	3.96	3.13	2.97
1	3.36	2.84	3.00	3.31	4.27	3.96	3.13	2.97
Apr. 24	3.35	2.84	3.00	3.30	4.27	3.96	3.13	2.97
Mar. 27	3.35	2.84	2.98	3.30	4.28	3.94	3.15	2.98
Feb. 27	3.37	2.87	2.99	3.30	4.30	3.95	3.16	2.99
Jan. 30	3.34	2.84	2.97	3.29	4.27	3.92	3.14	2.97
High 1942	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	3.33	2.81	2.95	3.26	4.24	3.91	3.08	2.93
High 1941	3.42	2.86	3.06	3.39	4.47	4.03	3.20	3.08
Low 1941	3.25	2.72	2.85	3.19	4.24	3.89	3.03	2.83
1 Year ago Ang. 11, 1941	3.29	2.74	2.90	3.24	4.27	3.91	3.06	2.90
2 Years ago Aug. 10, 1940	3.54	2.85	3.02	3.54	4.74	4.28	3.22	3.11

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Oct. 2, 1941, page 409

July Department Store Sales

The Board of Governors of the Federal Reserve System announced on Aug. 6 that department store sales declined less than seasonally in July and the Board's adjusted index, which had dropped from a peak of 138% of the 1923-25 average in January to 104 in June, rose to 117.

INDEX OF DEPARTMENT STORE SALES† (1923-25 AVERAGE=100)

	July, 1942	June, 1942	May, 1942	July, 1941
Adjusted for seasonal variation	117	104	103	115
Without seasonal adjustment	81	100	108	79

Change from corresponding period a year ago (per cent)

Federal Reserve District—	One week ending: Aug. 1	July 25	July 18	July 11	Four weeks ending: Aug. 1	June 27	May 30	Apr. 23	Year to Aug. 1
Boston	—6	+9	+5	+12	+4	+2	+2	+9	+14
New York	—13	—1	+1	r+7	—1	—7	0	+4	+9
Philadelphia	—4	+4	+2	+15	+5	+2	+3	+4	+15
Cleveland	—9	+2	+1	+3	—1	0	—2	+10	+13
Richmond	+1	+12	+16	+20	+12	+13	+9	+15	+23
Atlanta	—2	0	+3	+15	+4	+2	—3	+8	+8
Chicago	—3	+9	0	+6	+3	0	—3	+11	+11
St. Louis	—8	+2	+3	+11	+2	+5	—2	+6	+12
Minneapolis	*	*	*	*	—2	—5	—8	+4	+6
Kansas City	—6	+10	+12	+19	+8	+8	—3	+13	+12
Dallas	—7	—3	+11	+8	+2	0	—8	+6	+6
San Francisco	—2	r+8	+18	+19	+10	+9	+4	+16	+16
U. S. total	—6	+5	+5	+10	+3	+1	0	+9	+12

WEEKLY INDEX, WITHOUT SEASONAL ADJUSTMENT (1935-39 AVERAGE=100)

1942—		1941—	
July 11	102	July 12	93
July 18	93	July 19	89
July 25	92	July 26	87
Aug. 1	96	Aug. 2	102

r Revised. *Not shown separately but included in United States total. †Monthly indexes refer to daily average sales in calendar month; July, 1942 figures estimated from weekly sales.

AFL and CIO To Confer On Merging the Unions

At a press conference, preceding the opening of the American Federation of Labor quarterly executive committee meeting at Chicago, William Green, president, announced that a committee was ready to meet with the Congress of Industrial Organizations, to discuss peace and merger of the two unions. This statement was in response to a letter received by Mr. Green from Mr. Murray, the CIO president, who proposed on Sunday the establishment of "organic unity" between the labor groups. In Associated Press advices from Chicago on Aug. 4 it was stated "William Green and Philip Murray agreed today to arrange negotiating parleys looking toward peace and merger between the rival American Federation of Labor and the Congress of Industrial Organizations, split since 1935.

"Mr. Murray, the CIO president, in a letter to Mr. Green, the AFL head, proposed on Sunday the establishment of 'organic unity' between the labor groups. Today, while both were in Chicago, Mr. Green not only agreed to negotiations but said in a statement that it was his understanding that 'organic unity means the merging of the two organizations into one, the setting up of one national labor movement, clothed with authority to speak for the organized workers of the nation.'

"Mr. Green said he was confident a settlement could be reached 'fair to all concerned.'

"The veteran AFL leader said in a statement that the standing peace committee of the AFL was ready to meet with a committee appointed by Mr. Murray. Mr. Green added that steps would be taken at once to arrange a time and place for a meeting of the negotiators.

"While Mr. Murray was in Chicago also to address the convention of the CIO-United Automobile, Aircraft, Agricultural Implement Workers, Mr. Green said:

"'Re-establishment of organic unity in the ranks of organized labor is the greatest contribution the AFL and the CIO can make at this time to the success of the war effort.'

"He said peace between the great, rival labor groups would 'eliminate division, discord and jurisdictional strife and expedite war production,' and that it would 'permit labor to speak with a single, more effective voice, both in protecting the social and industrial interests of workers today and when world peace is finally negotiated.'

"'I am confident,' Mr. Green continued, 'that, actuated by a desire for peace which prevails throughout the ranks of labor, the conferees will be able to reach a settlement fair to all concerned.'

"Mr. Murray declined earlier in the day to comment except to say he had not talked to Mr. Green and did not know whether he would see Green here. Mr. Green came to open a ten-day session of the AFL Executive Council."

Mr. Green said on Aug. 6 that he will act on the proposal for a joint committee for arbitration purposes when his unions delegate such power to him.

Moody's Daily Commodity Index

Tuesday, Aug. 4	230.6
Wednesday, Aug. 5	230.5
Thursday, Aug. 6	230.8
Friday, Aug. 7	230.6
Saturday, Aug. 8	230.1
Monday, Aug. 10	229.6
Tuesday, Aug. 11	230.3
Two weeks ago, July 28	229.7
Month ago, July 11	233.3
Year ago, Aug. 11	211.1
1941 High—Sept. 9	219.9
Low—Feb. 17	171.6
1942 High—April 9	234.0
Low—Jan. 2	220.0

Daily Average Crude Oil Production For Week Ended August 1, 1942, Off 307,550 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 1, 1942, was 3,383,050 barrels, a decline of 307,550 barrels per day from the preceding week, and 312,200 barrels per day less than in the corresponding period last year. The current figure also was 459,750 barrels below the daily average for the month of July, 1942, as recommended by the Office of Petroleum Coordinator. The daily production for the four weeks ended Aug. 1, 1942, averaged 3,611,100 barrels. Further details as reported by the Institute follow:

Reports received from refining companies owning 86.9% of the 4,684,000 barrels estimated daily potential refining capacity of the United States, indicate that the industry as a whole ran to stills, on a Bureau of Mines' basis, 3,672,000 barrels of crude oil daily during the week ended Aug. 1, 1942, and that all companies had in storage at refineries, bulk terminals, in transit and in pipe lines as of the end of that week, 81,324,000 barrels of finished and unfinished gasoline. The total amount of gasoline produced by all companies is estimated to have been 11,138,000 barrels during the week ended Aug. 1, 1942.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*O.P.C. Recommendations July	*State Allowables Beginning July 1	—Actual Production— Week Ended Aug. 1 1942	Change From Previous Week	4 Weeks Ended Aug. 1 1942	Week Ended Aug. 2 1941
Oklahoma	433,000	433,000	†383,400	+ 4,350	377,300	417,050
Kansas	283,200	283,200	†280,050	— 3,650	280,250	235,500
Nebraska	4,100	------	†3,500	— 50	3,550	5,050
Panhandle Texas			65,800	— 19,100	78,900	80,750
North Texas			139,100	------	140,850	129,550
West Texas			138,200	— 73,350	192,200	221,650
East Central Texas			74,850	— 12,250	83,750	79,400
East Texas			218,050	— 75,100	274,750	298,550
Southwest Texas			99,100	— 56,050	139,000	180,250
Coastal Texas			171,450	— 82,450	232,450	242,350
Total Texas	1,214,400	‡1,284,711	906,550	—318,300	1,141,900	1,232,500
North Louisiana			96,200	+ 1,100	94,700	78,550
Coastal Louisiana			234,600	+ 5,550	227,250	240,350
Total Louisiana	319,600	337,600	330,800	+ 6,650	321,950	318,900
Arkansas	78,500	70,823	72,500	+ 150	72,000	73,300
Mississippi	49,900		†82,000	+ 6,150	80,850	47,750
Illinois	304,100		274,350	+ 5,900	276,400	357,650
Indiana	22,000		†18,300	+ 350	18,600	20,350
Eastern (not incl. Ill. and Ind)	112,600		102,550	+ 11,350	96,950	94,800
Michigan	64,800		62,500	+ 2,400	63,050	42,450
Wyoming	96,800		90,750	— 400	91,450	82,600
Montana	23,100		21,650	— 50	21,600	20,400
Colorado	7,700		6,800	+ 100	6,750	4,000
New Mexico	89,500	89,500	70,650	------	67,900	109,750
Total East of Calif.	3,103,300		2,706,350	—285,050	2,920,500	3,062,050
California	739,500	§739,500	676,700	— 22,500	690,600	633,200
Total United States	3,842,800		3,383,050	—307,550	3,611,100	3,695,250

*O. P. C. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline in April, 1942 as follows: Oklahoma, 27,500; Kansas, 4,800; Texas, 90,700; Louisiana, 15,300; Arkansas, 2,600; New Mexico, 5,300; California, 40,100; other states, 22,200.

†Oklahoma, Kansas, Nebraska, Mississippi, Indiana figures are for the week ended 7 a.m., July 29.

‡This is the net basic 31-day allowable as of July 1. In the area outside East Texas shutdowns were ordered for July 4, 5, 11, 12, 18, 19, 25, 26, 29, 30 and 31; in East Texas for July 6, 13, and 20, in addition to the aforementioned days.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE AND GAS AND FUEL OIL, WEEK ENDED AUGUST 1, 1942

(Figures in Thousands of Barrels of 42 Gallons Each)

	Daily Refining Capacity		Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis					
District—	Potential Rate	% Reporting	Crude Runs to Stills Daily Average	% Operated	Gasoline Production at Refineries Includ. Natural Blended	Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,383	89.7	1,660	69.7	5,013	38,442	18,506	17,720
Appalachian	174	84.5	152	87.4	446	2,624	593	582
Ind., Ill., Ky.	784	84.9	742	94.6	2,560	15,250	4,660	3,547
Okla., Kansas, Mo.	418	81.1	365	87.3	1,245	7,381	1,476	1,386
Rocky Mountain	138	50.7	92	66.7	307	2,151	408	550
California	787	90.9	661	84.0	1,567	15,476	11,887	54,598
Tot. U. S. B. of M. basis Aug. 1, 1942	4,684	86.9	3,672	78.4	11,138	†81,324	37,530	78,383
Tot. U. S. B. of M. basis July 25, 1942	4,684	86.9	3,658	78.1	10,864	82,281	35,966	77,816
U. S. Bur. of Mines basis Aug. 2, 1941			3,868		13,262	84,668	43,307	92,197

*At the request of the Office of Petroleum Coordinator.

†Finished 73,578,000 bbls.; unfinished 7,746,000 bbls.

‡At refineries, at bulk terminals, in transit, and in pipe lines.

Wholesale Commodity Prices Increase 0.2% In Week Ended Aug. 1, Labor Bureau Reports

The Bureau of Labor Statistics of the U. S. Department of Labor indicated on Aug. 6 that marked advances in wholesale prices for foods not controlled by the Office of Price Administration largely accounted for an increase of 0.2% in the Bureau of Labor Statistics' index of prices of 889 series in primary markets during the last week of July. The all-commodity index is slightly higher than at this time last month and in the past year has risen 10½%, said the Bureau, which added:

"Average market prices of foods advanced 1.2% and reached the highest level since October, 1929. The increase in prices paid by the Agricultural Marketing Service caused prices of butter and cheese to rise sharply. Sharp advances were also reported in prices for dressed poultry, for flour and for fresh fruits, particularly apples, bananas and oranges. Quotations were lower for lemons, onions and potatoes. Average prices for foods in primary markets have advanced 0.8% in the past month and are 17% higher than for the corresponding week of last year."

The Bureau makes the following notation:

During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes, however, must be considered as preliminary and subject to such adjustment and revision as required by late and more complete reports.

The following table shows (1) index numbers for the principal groups of commodities for the past 3 weeks, for July 4, 1942, and August 2, 1941, and the percentage changes from a week ago, a month ago, and a year ago.

WHOLESALE PRICES FOR WEEK ENDED AUG 1, 1942

(1926=100)

						Percentage changes to Aug. 1, 1942 from—		
Commodity Groups—	8-1 1942	7-25 1942	7-18 1942	7-4 1942	8-2 1941	7-25 1942	7-4 1942	8-2 1941
All Commodities	*98.6	*98.4	*98.3	*98.5	89.2	+ 0.2	+ 0.1	+ 10.5
Farm products	105.6	105.4	104.9	104.9	87.2	+ 0.2	+ 0.7	+ 21.1
Foods	100.1	98.9	98.3	99.3	85.5	+ 1.2	+ 0.8	+ 17.1
Hides and leather products	118.8	118.8	118.8	118.9	109.7	0	—0.1	+ 8.3
Textile products	96.5	96.8	96.8	97.3	86.6	—0.3	—0.8	+ 11.4
Fuel and lighting materials	79.6	79.5	79.6	79.5	79.4	+ 0.1	+ 0.1	+ 0.3
Metals and metal products	*103.9	*103.9	*103.9	*104.0	98.6	0	—0.1	+ 5.4
Building materials	110.0	110.1	110.2	110.6	103.3	—0.1	—0.5	+ 6.5
Chemicals and allied products	96.4	96.4	97.2	97.2	85.5	0	—0.8	+ 12.7
Housefurnishing goods	104.4	104.4	104.4	104.5	95.8	0	—0.1	+ 9.0
Miscellaneous commodities	89.1	89.6	89.6	90.1	82.3	—0.6	—1.1	+ 8.3
Raw materials	100.5	99.8	99.5	99.9	87.0	+ 0.7	+ 0.6	+ 15.5
Semimanufactured articles	92.7	92.6	92.8	92.8	88.5	+ 0.1	—0.1	+ 4.7
Manufactured products	*98.8	*98.8	*98.7	*98.9	90.7	0	—0.1	+ 8.9
all commodities other than farm products	*97.1	*96.9	*96.9	*97.2	89.7	+ 0.2	—0.1	+ 8.2
All commodities other than farm products and foods	*95.8	*95.9	*95.9	*96.1	90.2	—0.1	—0.3	+ 6.2

*Preliminary.

Electric Output For Week Ended Aug. 8, 1942 Shows 12.5% Gain Over Same Week In 1941

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 8, 1942, was 3,637,070,000 kwh., which compares with 3,233,242,000 kwh., in the corresponding period in 1941, a gain of 12.5%. The output for the week ended Aug. 1, 1942, was estimated to be 3,649,146,000 kwh., an increase of 11.8% over the corresponding week in 1941.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	—Week Ended—			
Major Geographical Divisions—	Aug. 8, '42	Aug. 1, '42	July 25, '42	July 18, '42
New England	3.9	6.4	4.9	4.3
Middle Atlantic	7.0	6.7	8.6	6.6
Central Industrial	7.5	7.5	8.9	9.0
West Central	4.8	5.6	7.6	9.7
Southern States	23.5	20.0	21.5	18.5
Rocky Mountain	7.6	8.1	7.1	6.1
Pacific Coast	24.6	23.8	21.2	19.4
Total United States	12.5	11.8	12.6	11.4

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1942	1941	% Change 1942 over 1941	1940	1932	1929
Jun 6	3,372,374	3,076,323	+ 9.6	2,598,812	1,435,471	1,689,925
Jun 13	3,463,528	3,101,291	+ 11.7	2,664,853	1,441,532	1,699,227
Jun 20	3,433,711	3,091,672	+ 11.1	2,653,788	1,440,541	1,702,501
Jun 27	3,457,024	3,156,825	+ 9.5	2,659,825	1,456,961	1,723,428
July 4	3,424,188	2,903,727	+ 17.9	2,425,229	1,341,730	1,592,075
July 11	3,428,918	3,178,054	+ 7.9	2,651,626	1,415,704	1,711,625
July 18	3,565,367	3,199,105	+ 11.4	2,681,071	1,433,993	1,727,225
July 25	3,625,645	3,220,526	+ 12.6	2,760,935	1,440,386	1,723,031
Aug 1	3,649,146	3,263,082	+ 11.8	2,762,240	1,426,986	1,724,728
Aug. 8	3,637,070	3,233,242	+ 12.5	2,743,284	1,415,122	1,729,667
Aug. 15	------	3,238,160	------	2,745,697	1,431,910	1,733,110
Aug. 22	------	3,230,750	------	2,714,193	1,436,440	1,750,056
Aug. 29	------	3,261,149	------	2,736,224	1,464,700	1,761,594

Engineering Cons. $163,973,000 For Week

Engineering construction volume for the week, $163,973,000, is 37% below the high total of a week ago, and 30% under the volume reported for the corresponding 1941 week by "Engineering News-Record" on Aug. 6. The report continued as follows:

Public construction is 36% lower than a week ago, and is 27% below a year ago. Private work is 44 and 60% lower, respectively,

The current week's construction brings 1942 volume to $6,270,-
than last week and last year.
793,000, an increase of 56% over the total for the 32-week period in 1941, and 7% higher than the total reported for the entire year 1941. Private construction, $411,722,000, is 51% under the volume for the period last year, but public work, $5,859,071,000, is up 84% as a result of the 131% gain in Federal work.

Construction volumes for the 1941 week, last week, and the current week are:

	Aug. 7, 1941	July 30, 1942	Aug. 6, 1942
Total Construction	$233,581,000	$259,800,000	$163,973,000
Private Construction	20,482,000	14,888,000	8,274,000
Public Construction	213,099,000	244,912,000	155,699,000
State and Municipal	16,296,000	10,034,000	9,319,000
Federal	196,803,000	234,878,000	146,380,000

In the classified construction groups, gains over last week are in waterworks, sewerage, bridges, and streets and roads. Increases over the 1941 week are registered in waterworks, sewerage, commercial building and large-scale private housing, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $4,775,000; sewerage, $3,075,000; bridges, $911,000; industrial buildings, $2,298,000; commercial building and large-scale private housing, $5,894,000; public buildings, $87,198,000; earthwork and drainage, $366,000; streets and roads, $21,469,000, and unclassified construction, $37,987,000.

New capital for construction purposes for the week totals $8,375,000. This compares with $343,350,000 for the corresponding week last year. The current week's new financing is made up of $2,625,000 in State and municipal bond sales, and $5,750,000 in corporate security issues.

New construction financing for the year to date, $9,508,625,000, is 78% above the $5,350,625,000 reported for the 32-week period a year ago.

Foley Resigns; Paul New Treasury Counsel

Edward H. Foley, Jr., has resigned as General Counsel of the Treasury Department to accept a commission as Lieutenant-Colonel in the United States Army. It was announced on Aug. 3 that President Roosevelt has sent to the Senate the nomination of Randolph E. Paul to succeed Mr. Foley. In accepting the latter's resignation, the President congratulated Mr. Foley on his "enviable record" at the Treasury, and said:

"You have performed the difficult duties assigned to you with marked distinction and I know that your services will be very useful in your new assignment."

Besides his letter of resignation to the President, Mr. Foley addressed a letter on July 23 to Secretary Morgenthau, in which he said in part:

"As you know, the decision was a very difficult one to make. The years that I have been honored by serving you as General Counsel for the Department represent to me the most interesting and happiest of my life. However, I have felt that I could best serve my country for the duration of the war by accepting the commission that has been offered me."

In his reply Secretary Morgenthau said:

"The manner in which you executed your duties as General Counsel has been of inestimable value in the prosecution of the war, and I could not ask for a better or more competent General Counsel than you have been. I have enjoyed our personal relations and your cooperation has always made our official relations very pleasant.

"While I regret your leaving, I can appreciate that you are anxious in time of war to aid your country as a member of the armed forces. I know that when you accept your commission as Lieutenant Colonel, the Army will secure a gentleman and an excellent officer."

In referring to the appointment of Mr. Paul as successor to Mr. Foley, advices from Washington Aug. 4 to the New York "Times" said:

Mr. Paul was born in Hackensack, N. J., educated at Amherst College and the New York Law School, and practiced law in both New Jersey and New York as a member of the firm of Lord, Day & Lord.

He has written authoritatively on taxation questions, has been Sterling lecturer on taxation at the Yale University School of Law and has lectured on the same subject at Harvard. He joined the staff of the Treasury last year as special assistant to Secretary Morgenthau and in this capacity handled the Treasury's tax bill before the Ways and Means and Senate Finance Committees.

"Mr. Morgenthau said today that Mr. Paul would continue to handle tax questions as well as act as general counsel."

As to Mr. Foley's connection, the "Times" reported the following from Washington Aug. 1:

"Mr. Foley is a native of Syracuse, N. Y. He received his law degree from Fordham University in 1929. He practiced with the New York firm of Hawkins, Delafield & Longfellow and joined the legal staff of the Reconstruction Finance Corporation in 1932.

"In 1933 he joined the Public Works Administration and became its General Counsel before going to the Treasury in 1937."

Weekly Coal and Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report, states that the production of soft coal increased slightly in the week ended Aug. 1, the total for the country being estimated at 11,200,000 net tons during that period, as against 11,050,000 tons in the preceding week. Output in the corresponding period last year amounted to 10,675,000 tons.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Aug. 1 was estimated at 1,251,000 tons, an increase of 21,000 tons, or 1.7% over the preceding week. When compared with the output in the corresponding week of 1941, however, there was a decrease of 48,000 tons (3.7%). The calendar year to date shows a gain of 8.8% when compared with the corresponding period of 1941.

The U. S. Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended Aug. 1 showed an increase of 4,200 tons when compared with the output for the week ended July 25. The quantity of coke from beehive ovens increased 2,300 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS, WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM (000 OMITTED)

	Week Ended			January 1 to Date		
Bituminous and lignite coal—	Aug. 1, 1942	July 25, 1942	Aug. 2, 1941	†Aug. 1, 1942	Aug. 2, 1941	July 31, 1937
Total includ. mine fuel	11,200	11,050	10,675	333,718	275,460	256,690
Daily average	1,867	1,842	1,779	1,869	1,549	1,439
*Crude petroleum—						
Coal equivalent of weekly output	5,419	5,912	5,919	183,177	180,957	166,158

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, 1939, page 702.) †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn anthracite—	§Aug. 1, 1942	July 25, 1942	Aug. 2, 1941	Aug. 1, 1942	Aug. 2, 1941	Aug. 3, 1929
*Total, incl. colliery fuel	1,251,000	1,230,000	1,299,000	34,893,000	32,072,000	40,823,000
†Commercial production	1,188,000	1,169,000	1,234,000	33,148,000	30,468,000	37,884,000
Beehive coke—						
United States total	154,800	152,500	141,100	4,621,500	3,607,000	4,075,200
By-product coke—						
United states total	1,199,400	1,195,200	‡	35,819,100	‡	‡

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

[In Thousands of Net Tons]

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					
State—	July 25, 1942	July 18, 1942	July 26, 1941	July 27, 1940	July 24, 1937	July avge. ¶1923
Alaska	4	4	5	5	3	**
Alabama	381	369	332	259	251	389
Arkansas and Oklahoma	91	92	61	37	37	74
Colorado	135	130	109	79	71	165
Georgia and North Carolina	1	††	1	1	††	**
Illinois	1,088	1,105	1.149	681	680	1,268
Indiana	467	472	412	264	245	451
Iowa	43	39	43	44	33	87
Kansas and Missouri	145	153	124	87	84	134
Kentucky—Eastern	962	942	933	786	671	735
Kentucky—Western	206	225	213	128	132	202
Maryland	38	38	37	26	27	42
Michigan	5	5	2	2	5	17
Montana (bituminous and lignite)	65	67	49	39	40	41
New Mexico	33	30	22	17	31	52
North and South Dakota (lignite)	22	20	17	21	13	**14
Ohio	685	661	686	456	403	854
Pennsylvania (bituminous)	2,688	2,730	2,730	2,248	2,017	3,680
Tennessee	133	149	147	111	95	113
Texas (bituminous and lignite)	6	5	6	11	19	23
Utah	112	111	52	52	37	87
Virginia	399	400	436	290	247	239
Washington	40	42	27	26	30	37
*West Virginia—Southern	2,292	2,275	2,398	1,904	1,631	1,519
†West Virginia—Northern	883	903	803	582	530	866
Wyoming	126	133	106	73	71	115
‡Other Western States	††	††	1	††	††	**4
Total bituminous and lignite	11,050	11,100	10,901	8,229	7,403	11,208
§Pennsylvania anthracite	1,230	1,222	1,330	987	519	1,950
Total, all coal	12,280	12,322	12,231	9,216	7,922	13,158

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason. and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada, and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "other Western States." ††Less than 1,000 tons.

Non-Ferrous Metals—WPB Restricts Use Of Foreign Silver—15% Lead Pool Dropped

Editor's Note.—Upon request of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 6, stated: "The War Production Board issued Order M-199 on July 29 limiting use of foreign silver in non-essential production. Though the silver industry was prepared for the move, necessary adjustments to meet the new regulations have not yet been completed. The question of the price of silver contained in alloys has been opened up, as well as the availability of domestic production to those buyers who can afford to pay a premium under existing price controls. The lead pool has been discontinued in an amendment to Order M-38-j. Tungsten ore will be treated at a plant located at Glen Cove, N. Y." The publication further went on to say in part:

Copper

Consumers of copper are experiencing little if any difficulty in obtaining metal allocated for the month of August. The price situation in domestic metal continues unchanged, quotations holding on the basis of 12¢, Connecticut Valley. Foreign copper is being purchased by Metals Reserve on the basis of 11.75¢, f.a.s. United States ports.

Canadian Copper Refiners, a Noranda Mines, Ltd., subsidiary, is constructing a copper sulphate plant.

The Phelps Dodge Corp. is producing and marketing P. D. M. brand of fire-refined copper obtained from Morenci, Ariz. It is described as a high purity copper, surpassing 99.88% copper content.

Brass mills and wire mills are subject to the restrictions of copper control Order M-9-a, which has been amended to include these groups. The order places all deliveries under full allocation.

Lead

Producers are taking care of current restricted business in lead without a hitch. Quotations on common lead continued on the basis of 6.50¢, New York, and 6.35¢, St. Louis.

Supplementary Order M-38-j, which on July 4 established the lead pool at 15% of production "until further notice," was revoked by the Director General for Operations, WPB, on Aug. 3. This action was taken because of the improved supply outlook for lead.

According to St. Joseph Lead Co., "the Government's stockpile of lead is quite sizable and the total United States monthly consumption is probably less than 60% of the new lead produced and imported each month."

Industry is expected to use more lead in the future to replace some of the critical materials and, according to trade authorities, the conservation order for lead will probably be modified, particularly in reference to pigments, foil, and pipe.

Lead-antimony alloy containing as little as 0.25% antimony is covered in Price Schedule No. 70 as amended by OPA last week. The former minimum was 2% antimony.

Zinc

The position of zinc underwent no change during the last week, quotations holding on the basis of 8.25¢, East St. Louis, for Prime Western.

Noranda Mines, Canada, reports that the concentrator of its subsidiary, Waite Amulet, is being increased to the extent of 300 tons and the enlarged output is expected to be available for treatment of zinc ore in January, 1943.

Zinc ores and concentrates have been placed on the list of essential materials for which shipping space will be provided by the War Production Board to maintain imports.

Tin

The Texas smelter is now producing tin from Bolivian concentrate that averages around 99.5% tin. Previous production at the plant utilized concentrate imported from the Dutch East Indies, and the problem of producing tin of high purity presented no great difficulties, trade authorities claim.

Use of tin in production of collapsible tubes is to be reduced to about 400 tons a year. Normally, tube manufacturers consume about 3,500 tons of primary tin a year.

Straits quality tin for future delivery was nominally as follows:

	Ang.	Sept.	Oct.
July 30	52.000	52.000	52.000
July 31	52.000	52.000	52.000
Aug. 1	52.000	52.000	52.000
Aug. 3	52.000	52.000	52.000
Aug. 4	52.000	52.000	52.000
Aug. 5	52.000	52.000	52.000

Chinese tin, 99%, spot, 51.125¢, all week.

London—No quotations.

Aluminum

Contemplated reductions in prices of fabricated aluminum products to become effective on Aug. 1 have been postponed because of the complexities of the problem involved that have not yet been resolved, Price Administrator Henderson announced last week.

Quicksilver

Dealers in quicksilver in New York are wondering whether the Metals Reserve Co. intends to become the sole buyer of the metal for the trade. Market prices here remain unchanged at $194.43 @ $198.08 per flask.

Silver

The official order limiting the use of foreign silver to essential production was issued on July 29. As the regulations do not prohibit the use of domestic high-priced silver by industry, market experts believe that those consumers whose products could absorb a higher price for the metal without colliding with price ceiling regulations may bid for domestic metal. On such business, however, buyers would have to pay for silver on the basis of 71.11¢ an ounce. The supply of foreign silver has been reserved for orders bearing a rating of A-3 or higher.

During the past week the Silver Market in London has been unchanged at 23½d. The New York Official and the U. S. Treasury prices are also unchanged at 35⅛¢, and 35¢, respectively.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

1941-42 Cotton Loans

Loans on a total of 2,221.375 bales of 1941-'42 crop cotton were made last season, according to the latest weekly statement of the Commodity Credit Corporation. This was noted in the New York "Journal of Commerce" of Aug. 5, which stated that through July 25, 1,303,821 bales were repossessed, leaving a net loan stock of 917,554 bales. From the paper indicated we also quote:

"For all practical purposes, the gross loan figure given above constitutes a final total. No entries into the loan have been accepted since May 1, and figures dated beyond that time are actually revisions of the final total, due to a time lag in reporting entries.

"Following is a complete record of C. C. C. loan reports by weeks, since the first one issued on October 1, 1942:

Date—	Loans	Increase in week	*Repossessions
July 25	2,221,375	0	1,303,821
July 18	2,221,375	2	1,282,668
July 11	2,221,373	22	1,264,393
July 3	2,221,351	21	1,264,393
Jun. 27	2,221,330	3	1,241,322
Jun. 20	2,221,327	103	1,194,748
Jun. 13	2,221,224	71	1,193,743
Jun. 6	2,221,153	13	1,179,077
May 30	2,221,140	4	1,138,609
May 23	2,221,136	34	1,086,465
May 16	2,221,102	3,424	1,036,216
May 9	2,217,678	4,943	970,925
May 2	2,212,735	13,954	904,599
Apr. 25	2,198,781	6,133	817,845
Apr. 18	2,192,648	4,261	729,043
Apr. 11	2,188,387	7,247	618,058
Apr. 4	2,181,140	11,976	582,777
Mar. 28	2,169,164	8,077	562,378
Mar. 21	2,161,087	13,361	471,187
Mar. 14	2,157,534	15,514	359,357
Feb. 28	2,122,020	18,869	294,280
Feb. 21	2,103,161	22,826	246,013
Feb. 14	2,080,335	24,839	178,632
Feb. 7	2,055,496	36,141	122,971
Jan. 31	2,019,355	39,652	79,262
Jan. 24	1,979,703	37,618	43,162
Jan. 17	1,942,085	62,287	28,713
Jan. 10	1,807,798	70,639	16,334
Jan. 3	1,809,160	78,593	
Dec. 27	1,730,567	104,925	
Dec. 20	1,625,642	130,764	
Dec. 13	1,494,873	142,679	
Dec. 6	1,352,196	168,340	
Nov. 29	1,183,859	183,636	
Nov. 22	1,000,223	335,306	
Nov. 15	664,917	111,081	
Nov. 8	553,836	128,326	
Nov. 1	425,510	107,489	
Oct. 24	318,021	86,113	
Oct. 18	231,908		
Oct. 1	89,503		

*Leaving net stocks of 917,554 bales.

Breakdown by States

The C. C. C.'s breakdown of the season's repossessions and entries, by States, follows, as of July 25:

	Loans made	Repayments	Outstanding No. of bales
Alabama	138.618	113.075	25,543
Arizona	102,684	72,225	30,459
Arkansas	124,466	102,081	22,385
California	221,298	143,658	77,640
Florida	499	287	212
Georgia	125,637	100,140	25,497
Illinois	28	27	1
Louisiana	14,229	11,515	2,708
Mississippi	58,683	49,031	9,652
Missouri	38,470	24,528	13,947
New Mexico	25,144	19,258	5,886
North Carolina	21,367	16,650	4,717
Oklahoma	296,979	124,998	171,981
South Carolina	52.071	41,922	10,149
Tennessee	32,333	23,349	8,984
Texas	968,434	460,804	507,630
Virginia	441	278	163
Total	2,221,375	1,303,821	917,554

Post-War Solution Of Mun. Problems Seen

As far as housing is concerned, the nation is already far better prepared to meet and solve what probably will be one of its most pressing post-war problems—employment—than most people realize, according to Frederick P. Champ, Logan, Utah, President of the Mortgage Bankers Association of America, who announced on Aug. 8 that he expects to set up a special committee to begin a study of post-war planning. Mr. Champ says:

"In recent years most American cities have been moving along quietly but steadily in their studies of urban municipal problems and, as a result, will be ready to proceed almost at once with solving such problems as slum clearance, elimination of blighted areas and creating new neighborhoods.

"Few realize that in more than 75% of U. S. cities of more than 25,000 population, planning agencies already exist and most of them are functioning even today when winning the war is the all-important objective everywhere. Their principal need is funds and technical assistance but few can expect to get them in any amount until after the war."

Post-war planning and urban rehabilitation are expected to be principal topics for review at the Association's annual meeting and conference on wartime mortgage finance in Chicago, Sept. 30 and Oct. 1 and 2, Mr. Champ said. He also stated that "with some authorities estimating the immediate demand for new dwelling construction as high as 4,000,000 units after the close of hostilities, the size of the housing problem can be better appreciated." He added:

"Some means must be found for supplying local planning groups with funds to study and devise master city plans. Half of the cities in the country already have plans in some stage of development but relatively few have ever gotten as far as legislative approval. Land in blighted areas must be acquired on a large scale and developed by private enterprise. Taxes should be assessed on the basis of income and the utility value of properties.

"One thing sure to develop from the war, will be the introduction of many new methods and materials in building which will almost certainly combine to create a less expensive type of house for the great mass market."

July Living Cost Up 0.2%

The cost of living for wage earners and lower-salaried clerical workers in the United States rose 0.2% between June 15 and July 15, according to the Conference, Board, New York.

The Board's announcement Aug. 6 added:

"Food, which rose 0.8%, was chiefly responsible for the increase shown. Food cost increased 0.4% from May to June. Clothing declined 0.1%, due to a decrease of 0.2% in the cost of men's clothes. The cost of women's clothes rose 0.1%. Housing costs declined 0.2%, while fuel and light and sundries remained unchanged.

"The Board's index of the cost of living (1923=100) stood at 97.5 for July as compared with 97.3 in June and May, 96.1 in March, 95.1 in February, 94.5 in January, and 88.9 in July, 1941.

"The level of living costs was 9.7% higher than that of a year ago. Clothing costs led the advance over July,1941, with an increase of 19.2%. Food was second with a rise of 16.4%. Other rises during the 12 months were: Sundries, 5.5%; fuel and light, 3.0%, and housing, 2.7%.

"The purchasing value of the dollar declined from 102.8 in June, 1942, to 102.6 in July."

Revenue Freight Car Loadings During Week Ended August 1, 1942 Totaled 863,528 Cars

Loading of revenue freight for the week ended Aug. 1, totaled 863,528 cars, the Association of American Railroads announced on Aug. 6. This was a decrease below the corresponding week in 1941 of 18,494 cars or 2.1%, but an increase above the same week of 1940 of 145,601 cars or 20.3%.

Loading of revenue freight for the week of Aug. 1 increased 8,006 cars or 0.9% above the preceding week.

Miscellaneous freight loading totaled 395,112 cars, an increase of 4,798 cars above the preceding week, and an increase of 30,855 cars above the corresponding week in 1941.

Loading of merchandise less than carload lot freight totaled 89,575 cars, an increase of 1,988 cars above the preceding week, but a decrease of 66,151 cars below the corresponding week in 1941.

Coal loading amounted to 165,723 cars, an increase of 3,436 cars above the preceding week, but a decrease of 444 cars below the corresponding week in 1941.

Grain and grain products loading totaled 43,618 cars, a decrease of 2,715 cars below the preceding week, and a decrease of 2,522 cars below the corresponding week in 1941. In the Western Districts alone, grain and grain products loading for the week of Aug. 1 totaled 28,590 cars, a decrease of 1,517 cars below the preceding week, and a decrease of 1,401 cars below the corresponding week in 1941.

Livestock loading amounted to 11,789 cars, an increase of 1,121 cars above the preceding week, and an increase of 2,038 cars above the corresponding week in 1941. In the Western Districts alone, loading of livestock for the week of Aug. 1 totaled 8,485 cars, an increase of 975 cars above the preceding week, and an increase of 1,276 cars above the corresponding week in 1941.

Forest products loading totaled 55,462 cars, an increase of 1,328 cars above the preceding week, and an increase of 5,818 cars above the corresponding week in 1941.

Ore loading amounted to 88,430 cars, a decrease of 1,894 cars below the preceding week, but an increase of 11,202 cars above the corresponding week in 1941.

Coke loading amounted to 13,819 cars, a decrease of 56 cars below the preceding week, but an increase of 710 cars above the corresponding week in 1941.

All districts reported decreases compared with the corresponding week in 1941, except the Southern and Southwestern but all districts reported increases over 1940.

	1942	1941	1940
Five weeks of January	3,858,273	3,454,409	3,215,565
Four weeks of February	3,122,773	2,866,565	2,465,685
Four weeks of March	3,171,439	3,066,011	2,489,280
Four weeks of April	3,351,038	2,793,630	2,495,212
Five weeks of May	4,170,713	4,160,060	3,351,840
Four weeks of June	3,385,769	3,510,057	2,896,953
Four weeks of July	3,321,568	3,413,435	2,822,450
Week of Aug. 1	863,528	883,022	717,927
Total	25,245,101	24,147,189	20,454,912

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug. 1, 1942. During this period only 51 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS)—WEEK ENDED AUG. 1

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
Eastern District—					
Ann Arbor	397	614	628	1,306	1,400
Bangor & Aroostook	1,045	1,081	756	174	263
Boston & Maine	6,010	9,000	7,120	13,410	13,353
Chicago, Indianapolis & Louisville	1,441	1,684	1,353	1,881	2,470
Central Indiana	27	28	31	59	85
Central Vermont	943	1,573	1,220	2,701	2,847
Delaware & Hudson	6,635	7,272	5,103	11,352	10,659
Delaware, Lackawanna & Western	7,628	10,189	7,962	10,540	8,794
Detroit & Mackinac	233	344	393	111	103
Detroit, Toledo & Ironton	1,547	2,399	1,371	1,172	1,359
Detroit & Toledo Shore Line	327	275	186	2,926	3,735
Erie	13,186	15,904	12,507	16,687	16,019
Grand Trunk Western	3,676	5,005	3,515	7,672	8,420
Lehigh & Hudson River	141	176	146	3,450	2,582
Lehigh & New England	2,178	2,335	1,743	1,973	2,163
Lehigh Valley	8,788	10,520	7,939	13,080	10,044
Maine Central	2,292	3,135	2,621	2,431	2,565
Monongahela	6,449	5,909	4,874	333	396
Montour	2,403	2,431	2,269	29	45
New York Central Lines	46,323	51,034	41,910	56,653	50,483
N. Y., N. H. & Hartford	9,226	12,162	9,492	19,340	16,974
New York, Ontario & Western	1,025	1,212	1,163	2,586	2,193
New York, Chicago & St. Louis	7,285	7,541	6,117	15,995	14,314
N. Y., Susquehanna & Western	408	510	415	1,349	1,844
Pittsburgh & Lake Erie	8,029	8,701	7,324	8,452	9,486
Pere Marquette	5,291	6,044	5,088	6,482	6,272
Pittsburgh & Shawmut	750	857	614	25	49
Pittsburgh, Shawmut & North	349	459	295	305	581
Pittsburgh & West Virginia	1,232	1,148	767	3,489	2,327
Rutland	338	553	610	1,086	1,235
Wabash	5,651	6,062	5,851	13,220	10,805
Wheeling & Lake Erie	5,507	5,628	4,643	4,906	3,360
Total	156,760	181,785	146,226	225,175	207,225
Allegheny District—					
Akron, Canton & Youngstown	643	766	525	984	1,079
Baltimore & Ohio	43,431	41,780	32,433	26,038	22,299
Bessemer & Lake Erie	6,538	6,280	5,920	2,756	2,466
Buffalo Creek & Gauley	*299	328	330	*2	5
Cambria & Indiana	2,025	1,699	1,239	9	16
Central R. R. of New Jersey	7,157	8,422	6,074	19,207	16,435
Cornwall	574	689	616	52	67
Cumberland & Pennsylvania	278	320	233	11	33
Ligonier Valley	138	122	60	42	42
Long Island	944	881	613	3,517	3,132
Penn-Reading Seashore Lines	1,754	1,843	1,133	2,242	1,886
Pennsylvania System	83,938	89,373	68,726	65,065	55,371
Reading Co.	15,020	17,064	13,733	28,310	22,765
Union (Pittsburgh)	21,050	19,584	18,979	7,209	7,115
Western Maryland	4,195	3,979	3,350	13,234	9,062
Total	187,984	193,130	153,964	168,678	141,773
Pocahontas District—					
Chesapeake & Ohio	28,893	28,930	24,715	13,873	14,249
Norfolk & Western	23,358	24,792	21,131	6,749	5,954
Virginian	4,835	4,657	4,428	1,965	1,896
Total	57,086	58,379	50,274	22,587	22,099

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	194
Southern District—					
Alabama, Tennessee & Northern	389	359	246	320	209
Atl. & W. P.—W. R. R. of Ala.	914	1,066	879	3,195	1,953
Atlanta, Birmingham & Coast	1,057	1,227	786	1,044	1,087
Atlantic Coast Line	10,266	9,521	7,719	9,786	6,557
Central of Georgia	3,972	5,209	4,081	3,820	3,756
Charleston & Western Carolina	597	647	467	1,377	1,465
Clinchfield	1,728	1,704	1,394	2,764	2,766
Columbus & Greenville	402	284	207	333	305
Durham & Southern	134	186	192	1,092	395
Florida East Coast	815	432	399	1,427	696
Gainesville Midland	36	36	26	109	82
Georgia	1,361	1,262	1,234	2,991	1,996
Georgia & Florida	639	432	259	483	501
Gulf, Mobile & Ohio	4,253	4,069	3,135	5,200	3,267
Illinois Central System	27,060	25,280	19,840	18,615	13,886
Louisville & Nashville	26,036	25,888	21,685	11,868	8,479
Macon, Dublin & Savannah	*209	236	127	*571	720
Mississippi Central	*228	178	111	*583	375
Nashville, Chattanooga & St. L.	3,061	3,443	2,630	4,762	3,597
Norfolk Southern	1,729	1,305	902	1,919	1,199
Piedmont Northern	335	494	399	1,155	1,331
Richmond, Fred. & Potomac	485	438	348	9,551	5,990
Seaboard Air Line	10,044	10,792	8,517	9,117	5,995
Southern System	24,665	25,609	21,264	23,067	20,143
Tennessee Central	670	517	450	848	754
Winston-Salem Southbound	100	148	151	873	818
Total	121,185	120,762	97,448	116,870	88,337
Northwestern District—					
Chicago & North Western	21,132	22,453	19,374	13,763	13,343
Chicago Great Western	2,160	2,705	2,594	3,195	3,434
Chicago, Milw., St. P. & Pac.	19,254	22,802	18,822	10,027	10,026
Chicago, St. Paul, Minn. & Omaha	3,233	3,997	3,502	3,525	4,392
Duluth, Missabe & Iron Range	30,239	25,709	20,667	523	285
Duluth, South Shore & Atlantic	1,161	1,234	1,247	775	533
Elgin, Joliet & Eastern	9,097	10,401	9,237	10,292	9,813
Ft. Dodge, Des Moines & South	555	530	517	163	14
Great Northern	27,196	25,257	20,806	5,729	4,649
Green Bay & Western	493	578	494	750	729
Lake Superior & Ishpeming	2,291	2,675	3,210	51	84
Minneapolis & St. Louis	2,156	1,997	1,659	2,243	2,19
Minn., St. Paul & S. S. M.	7,371	7,062	6,790	3,265	3,416
Northern Pacific	11,665	11,600	9,145	5,333	5,56
Spokane International	196	311	325	688	44
Spokane, Portland & Seattle	2,897	2,859	1,861	3,528	2,13
Total	141,096	142,161	120,250	63,850	61,18
Central Western District—					
Atch., Top. & Santa Fe System	23,955	22,547	18,358	12,062	8,47
Alton	3,380	3,680	2,983	4,406	2,95
Bingham & Garfield	698	711	464	123	9
Chicago, Burlington & Quincy	18,650	19,001	14,537	11,206	10,04
Chicago & Illinois Midland	2,616	2,765	1,969	948	81
Chicago, Rock Island & Pacific	12,772	13,678	10,929	11,965	10,27
Chicago & Eastern Illinois	2,251	2,899	2,371	4,250	3,14
Colorado & Southern	749	824	667	1,833	1,63
Denver & Rio Grande Western	3,743	3,449	3,544	5,873	4,08
Denver & Salt Lake	646	706	328	27	4
Fort Worth & Denver City	932	1,240	1,024	1,086	1,06
Illinois Terminal	1,518	2,008	1,853	2,617	2,03
Missouri-Illinois	1,313	1,136	898	369	97
Nevada Northern	2,105	1,911	1,891	134	13
North Western Pacific	1,245	1,193	952	668	69
Peoria & Pekin Union	6	12	22	0	
Southern Pacific (Pacific)	32,409	31,496	25,832	10,029	7,34
Toledo, Peoria & Western	278	379	293	1,553	1,65
Union Pacific System	14,300	16,512	13,853	15,281	12,04
Utah	572	397	307	5	
Western Pacific	2,271	1,771	1,842	4,058	2,97
Total	126,409	128,315	104,917	88,493	70,48
Southwestern District—					
Burlington-Rock Island	969	182	134	151	234
Gulf Coast Lines	4,242	3,361	2,957	2,347	2,02
International-Great Northern	2,737	2,077	1,516	2,613	2,48
Kansas, Oklahoma & Gulf	346	202	232	1,157	1,18
Kansas City Southern	4,094	2,727	2,361	3,238	2,74
Louisiana & Arkansas	4,456	2,173	1,766	2,469	1,86
Litchfield & Madison	291	322	278	1,243	1,37
Midland Valley	848	894	540	211	27
Missouri & Arkansas	*168	153	195	*403	35
Missouri-Kansas-Texas Lines	5,526	4,801	3,888	4,630	3,90
Missouri Pacific	17,303	17,568	13,180	19,415	11,74
Quanah Acme & Pacific	78	116	76	169	12
St. Louis-San Francisco	9,570	8,706	6,753	9,305	5,55
St. Louis Southwestern	3,054	2,694	1,954	6,064	3,43
Texas & New Orleans	13,559	7,458	5,707	4,991	4,33
Texas & Pacific	5,584	3,908	3,380	8,186	4,44
Wichita Falls & Southern	129	133	113	50	8
Weatherford M. W. & N. W.	54	15	16	20	7
Total	73,008	57,490	44,848	66,662	46,21

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	*Orders Received Tons*	*Production Tons*	*Unfilled Orders Remaining Tons*	*Percent of Activity*	
				Current	*Cumulative*
1942—Week Ended—					
Apr. 4	161,888	169,249	436,029	100	101
Apr. 11	145,000	153,269	428,322	93	101
Apr. 18	129,834	153,442	404,199	94	101
Apr. 25	139,026	156,201	388,320	93	100
May 2	135,273	152,569	371,365	90	99
May 9	130,510	143,427	360,221	86	99
May 16	119,142	141,745	336,530	82	98
May 23	120.224	140,650	316,443	81	97
May 30	113,059	132,901	288,516	77	96
June 6	110,226	120,374	283,390	69	95
June 13	115,300	125,016	274,512	72	94
June 20	98,766	117,924	248,594	69	93
June 27	104,178	120.359	231,368	72	92
July 4	94,257	100,337	223,809	59	91
July 11	92,481	77,996	236,536	52	90
July 18	103,559	114,917	226,341	71	90
July 25	112,513	120,982	219,700	74	89
Aug. 1	119,023	125,653	213,443	76	89

Note—Unfilled orders of the prior week plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled stock, and other items made necessary adjustments of unfilled orders.

Lumber Movement—Week Ended Aug. 1, 1942

Lumber production during the week ended Aug. 1, 1942, was 5% less than the previous week, shipments were 0.3% less, new business 5% greater, according to reports to the National Lumber Manufacturers Association from regional associations covering the operations of representative hardwoods and softwood mills. Shipments were 14% above production; new orders 18% above production. Compared with the corresponding week of 1941, production was 8% less, shipments 5% less, and new business 3% less. The industry stood at 127% of the average of production in the corresponding week of 1935-39 and 150% of average 1935-39 shipments in the same week.

Year-to-date Comparisons

Reported production for the first 30 weeks of 1942 was 2% below corresponding weeks of 1941; shipments were 6% above the shipments, and new orders 7% above the orders of the 1941 period. For the 30 weeks of 1942, new business was 24% above production, and shipments were 15% above production.

Supply and Demand Comparisons

The ratio of unfilled orders to gross stocks was 74% on Aug. 1, 1942, compared with 49% a year ago. Unfilled orders were 12% greater than a year ago; gross stocks were 27% less.

Softwoods and Hardwoods

Record for the current week ended Aug. 1, 1942, for the corresponding week a year ago, and for the previous week, follows in thousand board feet:

SOFTWOODS AND HARDWOODS

	1942 Week	1941 Week	1942 Previous Wk. (rev.)
Mills	441	441	473
Production	258,359	281,412	270,757
Shipments	293,258	307,576	294,145
Orders	305,859	316,561	291,964

	Softwoods 1942 Week	Hardwoods 1942 Week
Mills	357	96
Production	246,621—100%	11,738—100%
Shipments	278,748—113	14,510—124
Orders	292,024—118	13,835—118

Aug. War Bond Quotas Set At $815 Million

War Savings Bond quotas for each of the 3,070 counties in the Nation for the month of August were announced on Aug. 10 by the Treasury Department. Ranging from a quota of $100,336,000 for the five counties of the City of New York to quotas of $100 each for Armstrong County, S. D., and Dawson County, Ga., the figures total $815,000,000, the goal set for the Nation-wide bond sale drive during August. The Department's announcement, made available Aug. 10, said:

"Based on surveys conducted by State Administrators of the War Savings Staff, the county quotas reflect local conditions and for that reason are higher in some counties and lower in others than were the quotas for July, the Treasury pointed out. The $815,000,000 total of all county quotas for this month is in keeping with the national bond sale goal of $12,000,000,000 for the fiscal year beginning July 1, it was said, since seasonal variations in income distribution prevent the establishment of a uniform national monthly quota of $1,000,000,000.

"Hereafter actual bond sales in the various States will be compared with quotas on a cumulative basis. The amount by which sales fall short of or exceed quotas in any month will be added to or subtracted from quotas for future months.

One-Third Of New York Industrial Loans Were For Defense Work In April 16-May 15 Period

The Federal Reserve Bank of New York announced on Aug. 5 that data received by it, through a special survey of commercial and industrial loans of member banks covering the period April 16 to May 15, 1942, indicate that 34% of the total dollar volume of new commercial and industrial loans extended by Second (New York) District member banks during this period was for defense purposes. In addition, the bank states, 5½% of the new loans were reported as being for mixed defense and non-defense purposes. Of the commercial and industrial loans renewed between April 16 and May 15, 18% were classified as defense loans. The bank also had the following to say regarding the results of the survey:

"In the latter part of April there were temporary renewals for a few days of loans aggregating $38,000,000 to a large company, pending the receipt of the proceeds of a security issue. Even excluding these temporary renewals, however, the proportion of loans renewed during the period which were for defense purposes was only 21%. Loans partly for defense and partly for non-defense purposes accounted for an additional 3½% of total renewals.

"It appears, therefore, that there is a distinct tendency in the direction of an increased proportion of bank lending activities directly related to the war program. Furthermore, information obtained from the banks indicated that in many cases loans classified as 'non-defense' were for the financing of essential activities, such as the food industries which are supplying military, as well as civilian requirements.

"Defense loans were of larger average size than other commercial and industrial loans; consequently, the proportion of defense to non-defense loans was smaller in number than in amount. Of the aggregate number of loans reported, both new and renewals, only 14% were for defense purposes, and less than 2% additional were for mixed purposes.

"The purpose of the survey was to provide more specific information concerning the kinds of loans that are being made by banks than has been available heretofore. In addition to information as to the amount and purpose of each loan and whether it was new or renewal, data were requested as to the business and size of the borrower, the maturity of the loan, and the interest rate charged. More than 26,500 new loans and renewals, aggregating nearly $700 million were covered by the survey.

"The tables on the following page summarize some of the principal statistical results of the survey. Among the 13 industrial groups, borrowing by the metal products and building and construction firms showed the largest proportionate amounts for defense purposes. These two groups also obtained the largest number of defense loans and renewals. The dollar volume of loans for defense purposes accounted for 85% or more of total borrowings of these two groups during the period covered. Three-quarters of the credit needs of the metal mining companies were associated with war needs. A very large proportion of the borrowing of the other groups during the month was for ordinary commercial or industrial purposes, although in the first group — 'wholesale and retail trade, including commodity dealers'—which shows the largest aggregate amount of loans for any group, it was pointed out that a considerable number and amount of loans were to finance the carrying stocks of commodities, part of which will be used in the manufacture of military supplies.

"Data as to the size of businesses financed by the loans and renewals made by Second District banks during this period are summarized in the second table on the following page. (Loans for mixed purposes are omitted.)

"The great bulk (97%) of commercial and industrial loans and renewals made during the month's period mature in one year or less. About 96% of the new defense loans and 99% of the renewals in this category mature in one year or less."

The tables referred to above follow:

Table 1—Commercial and Industrial Loans and Renewals
Member Banks—Second Federal Reserve District
April 16—May 15, 1942
(Dollar figures in thousands)

	New Loans		Renewals	
Business of Borrower	Total new loans	New defense loans as per cent of total new loans	Total renewals	Defense renewals as per cent of total renewals
1. Wholesale and retail trade, including commodity dealers	$115,884	11.9	$46,933	4.0
2. Sales finance and personal loan companies	41,043	0.1	18,056	0.1
3. Services: hotels, restaurants, amusements, repair shops, professional services, etc.	4,727	20.8	4,358	0.8
4. Metal Mining, refining & smelting	3,504	74.3	3,102	75.5
5. Metal products, including transportation equipment, shipbuilding, ordnance, and munitions	43,736	91.7	24,507	84.7
6. Petroleum and petroleum products	2,763	10.6	1,514	2.2
7. Chemicals, drugs, rubber & products	2,947	20.3	5,520	31.8
8. Textiles, apparel, leather & products	46,879	19.4	35,099	10.9
9. Food, liquor, and tobacco	58,816	13.9	68,610	1.1
10. All other manufacturing and mining	20,391	20.6	11,442	20.9
11. Public utilities, transportation, and communications	6,321	22.8	3,659	4.5
12. Building and construction operations	54,617	90.6	16,097	64.5
13. All other	28,238	50.6	14,651	3.7
Total	$429,866	33.8	$253,548	17.7

Table 2

Estimated Total Assets of Borrower	Percentage Distribution of Loans			
	Defense		Nondefense	
	Number	Amount	Number	Amount
Under $50,000	22.1	2.5	45.5	7.3
$50,000 to $500,000	48.8	17.0	42.3	22.2
$500,000 to $5,000,000	21.0	40.6	8.8	21.9
Over $5,000,000	7.4	39.3	2.7	48.3
Size not reported	0.7	0.6	0.7	0.3
Total—all groups	100.0	100.0	100.0	100.0

NY Cotton Exch. Members

At a meeting of the Board of Managers of the New York Cotton Exchange, held Aug. 6, the following were elected to membership in the Exchange: Frank O'Neil Oakes, a partner of Allenberg Associates, cotton merchants, of Memphis, Tenn.; James Conlin Scruggs, President and Treasurer of Cook & Co., cotton merchants, of Memphis, Tenn., and Gabriel Oliver Daugherty, a partner of G. O. Daugherty & Company, spot cotton merchants, of Kenedy, Texas.

Schram Urges Modification Of Capital Gains Tax, In Appearance Before Senate Committee

In discussing certain aspects of the capital gains tax before the Senate Finance Committee on Aug. 7, Emil Schram, President of the New York Stock Exchange, urged revision of the tax, saying:

"The conduct of this war requires such tremendous sums of money that it would be pointless for me to advocate a modification of the capital gains tax unless I were convinced that it would provide greater revenue to the Treasury. It is my conviction that the Treasury's revenue would be greatly increased if the capital gains tax provisions were modified in such a way as to eliminate the holding period, and to establish a tax rate that would encourage the taking of capital gains, thus tapping a very large potential source of revenue."

Prior to his above remarks, Mr. Schram told the Committee during its hearing on the proposed tax bill that "in the course of a long and careful study of the capital gains tax, I have talked with a wide range of people—tax experts, practical business men, farmers, representatives of organized labor and many others. I have been impressed by the widespread desire that this particular feature of our tax laws be revised. I think all of them agree on the one fundamental point, namely, that the Government would derive much-needed additional revenue from a realistic revision."

Referring to "many technical objections to the present capital gains tax," Mr. Schram cited as, in his judgment "the most objectional feature, viz., 'the objections directed towards the artificial and unsound distinction between long-term and short-term gains which underlies the present law.'" It is pertinent to note that, according to advices to the "Wall Street Journal" of Aug. 8 from its Washington bureau that influential members of the Senate Finance Committee on Aug. 7 said they favored defining a long-term investment as one held six months and fixing the capital gains tax rate at 15%. This, said these advices, developed after Mr. Schram had urged before the Committee the elimination of the tax distinction between "long-term" and "short-term" investments. The advices to the "Wall Street Journal" further said in part:

"This developed after Emil Schram, President of the New York Stock Exchange, appeared before the Committee and urged elimination of the tax distinction between 'long-term' and 'short-term' investments.

"Mr. Schram discussed the question privately with several committee members. After his conferences, it was learned that the members with whom he talked said they would support an amendment to the House tax bill defining long-term investments as those held six months or more and taxing gains on such assets at a maximum rate of 15%. Although the Treasury will oppose this move, it may prevail in the Senate Committee.

"The House bill provides that a taxpayer must hold capital assets for at least 15 months before any profit realized from their sale is taxable as a long-term capital gain. The rate of tax on these long-term capital gains is 25% in the House bill and 15% in present law.

"Elisha Friedman, New York, a consulting economist, also urged elimination of the long-term and short-term distinction and said the tax should be 10%, the figure in the so-called Boland Bill. There was little indication, however, that the Finance Committee would go that far.

"Both Mr. Schram and Mr. Friedman insisted that elimination of the distinction and reduction of the capital gains tax would produce more revenue than the Treasury is now getting from this levy.

"They argued that the longer investors and traders had to hold assets before being able to realize the lower tax, the less turnover there will be. Mr. Schram, especially, based his argument mainly on revenue grounds."

In his prepared statement relative to the capital gains tax, Mr. Schram, in addition to the portions quoted above, said:

"Because revenue is the paramount consideration at this time, I realize that any discussion of the unsoundness of the capital gains tax principle is more or less academic.

"However, it has always been perfectly obvious that the sale or exchange of a capital asset, such as a piece of real estate, a farm, a share of stock, or a bond does not automatically add anything to the value of the thing sold. From an economic point of view, the gain resulting from such a sale or exchange is in reality *capital*, and not income. For bookkeeping purposes—and in fact, for all other purposes except taxation—such a gain is regarded as representing capital. Hence, a capital gains tax is in reality a capital levy.

"In view of the fact that the taking of a capital gain is purely discretionary with the taxpayer, it is apparent that this tax in operation is far different from a true income tax. The payment of the tax is entirely contingent upon the taxpayer's disposing of a capital asset at a profit. It is not surprising, therefore, that as the rate of the capital gains tax has been increased, the net revenue to the Government has decreased.

"Thus, when the capital gains tax was raised to a point where it discouraged transfers it defeated its own purpose as a revenue-producing measure. Experience has indicated that the amount of the tax revenue is in inverse proportion to the tax rate. The inescapable conclusion is that the best way to produce the most revenue from a capital gains tax is to make the rate low enough so that the tax will not deter the taxpayer from transferring his property. The urgent need of additional revenue to help meet the cost of the war would seem to make such a legislative amendment imperative at this time, particularly in view of the many other sound reasons which have been advanced.

"Apart from considerations of revenue, there are certain undesirable economic consequences which would arise out of an unproductive tax. Because such a tax would operate, as I have said, as a serious deterrent to the transfer of property, it would retard the general flow of capital. The particular point which I wish to make is that in our effort to obtain additional revenue we should not impose a penalty that would make venture capital impotent. We should not deprive investors of the freedom needed to make necessary shifts in their holdings in order to keep them current. There is particular need of this freedom at this time in order that the purchase of Government bonds may be facilitated.

"This problem of the fluidity of capital is important in another sense. While it is true, as the Treasury has pointed out, that the major portion of the financing required by American industry in its war expansion is being assumed by the Government, it is desirable that as large a portion as possible of the burden be borne by private capital. It is not too soon to begin the process of encouraging capital to perform its traditional function, particularly in preparation for the post-war readjustment.

"Of course, there are many technical objections to the present capital gains tax—for example, objections directed towards the artificial and unsound distinction between long-term and short-term gains which underlies the present law. It is my considered judgment that this is the most objectionable feature of the law. The Treasury objects to a shorter holding period on the ground that it would give special tax advantage to gains realized from speculative activity. As a matter of fact, there is very little speculative activity today, and I do not anticipate that the changes which we are advocating will bring about any substantial increase in such activity. Let me add, however, that speculation by informed people who can afford to take risks will always be a constructive influence in our form of economy.

"We would expect, of course, that the liberated flow of capital would be reflected in a better investment market—a market freed from artificial deterrents and restraints such as those which stem from the present tax—but I would not be here asking for a revision of this tax if I were not convinced that the welfare of our whole business system was involved.

"Another aspect of this question which needs to be emphasized is that the capital gains tax, as now applied, tends to prevent a powerful anti-inflationary influence from coming into play. The mischievous effect of the tax in this respect was demonstrated in the boom of the late 1920's. Its potentiality for harm is even greater today in view of the many existing factors which are supplying the foundation for inflation.

"The capital gains tax, if the deterrents to the transfer of property were removed, would be paid by those who could afford to pay it. It would not fall upon the poor. The statistical record shows plainly that high rates of tax on capital gains merely restrict or prevent entirely the transfer of capital assets. An examination of the yield from this tax in recent years will convince any reasonable person of this fact. I understand that the 1941 results, which I am sure the Treasury has available or can compute, were the most disappointing since the principle of taxing capital gains was introduced. In the light of the record, I do not see how the provisions of the present law can be justified.

"Let me say here that the Treasury, in the course of the hearings before the Ways and Means Committee, presented some constructive proposals looking to the revision of these provisions. It is gratifying that the Ways and Means Committee saw fit to adopt some of these proposals. I submit, however, that a thorough-going and realistic readjustment is urgently needed and that it will contribute greatly toward the accomplishment of the objectives which we all know are dominating Congressional thought: more tax revenue for the prosecution of the war, restraint upon inflationary tendencies and the healthy functioning of our enterprise system."

New Colombia Bond Issue

An internal issue of bonds up to 15,000,000 pesos (equivalent to about $8,500,000 controlled rate of exchange), bearing interest up to 6% and retirable up to 10 years, has just been authorized by the Government of Colombia, according to the Department of Commerce, which in its advices made available Aug. 4, added:

"The proceeds will be used to supplement the national income which has been adversely affected by decreased customs and other revenue.

"A 3% sales tax on domestic sales of cotton, woolen, and silk, and on cement factories, sugar refineries and breweries has been decreed, together with a surtax of 20% on excess profits.